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BACKGROUND MATERIAL AND DATA ON MAJOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

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Prepared for the use of the Committee on Ways and Means by its staff

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PREFACE

This document has been prepared for the use of the Committee on Ways and Means by its staff in conjunction with the committee's consideration of possible revisions in the various programs under its jurisdiction.

The book is divided into four parts:

Part 1—Description of programs providing benefits or services to individuals within the jurisdiction of the Committee on Ways and Means.

Part 2—Description of trust funds for which the Committee on Ways and Means has revenue jurisdiction.

Part 3—Revenues.

Part 4—Other matters within the jurisdiction of the Committee on Ways and Means including public debt, the Pension Benefit Guarantee Corporation, and capital construction funds.

Within part 1, there are summary tables indicating the relative size and recent growth of the individual programs. For each of the programs, there is extensive information on:

(a) Who is eligible for the program;
(b) How the payment is actually computed;
(c) How the program is financed;
(d) Characteristics of individuals served by the program;
(e) Interactions with other major programs, and
(f) Historical information about how the program has evolved.

For the programs described in part 2, a brief legislative history, the current financing mechanism, and the financial status of the trust fund is presented.

Finally, the document contains 12 appendices setting out in detail:

(a) Statistical history of the social security programs;
(b) Tables describing the demographic and economic resources of the elderly;
(c) National health expenditures and health care expenditures of the elderly;
(d) How medicare reimburses hospitals and doctors;
(e) A description of quality control statistics;
(f) Unemployment data and historical tables on unemployment compensation;
(g) A short description of the food stamp program;
(h) A brief summary of all legislative changes enacted during 1982 to spending programs within the jurisdiction of the Committee on Ways and Means;
(i) Summary and impact of the 1981 legislative changes;

(j) Selected economic and poverty data;

(k) Examples illustrating the interactions between AFDC, social security, SSI, medicaid, food stamps, unemployment compensation, and the tax system as earnings increase for aged couples, a family of four receiving unemployment compensation, and a female-headed household receiving public assistance;

(l) A description of quality control statistics.

The committee wishes to express its appreciation to the many individuals for their contributions and long hours toward completing this project. In particular the committee wishes to recognize:

(1) The Congressional Research Service of the Library of Congress for their authorship of section 2 of part 3 and Appendices C, D, E, F, G, part of I, J, K, and L; their assistance in updating the tables in sections 8, 10, and 11, for a major rewrite of the section describing unemployment compensation;

(2) The Congressional Budget Office for their analysis of the impact of the 1981 and 1982 legislative changes described in Appendices H and I and for the summary tables in section 1 of part 1;

(3) The Office of Research and Statistics (Social Security Administration) for their assistance in updating the tables in sections 2, 3, 8, and 10 of part 1, Appendix A, and for many of the tables in Appendix B;

(4) The Office of the Actuary (Social Security Administration) for assistance with section 5 of part 1, and

(5) The Department of Labor for their assistance in updating tables in sections 6 and 7 of part 1 and Appendix F.

This material has been assembled in a limited amount of time in order that it be available to the Members for use in connection with their deliberations on various budget issues presently pending before the committee. Comments as to how the contents or format of this document could be improved are most appreciated and will help in future revisions so that it can better serve as a resource tool.

CONTENTS

Page

Preface III

PART 1. DESCRIPTION OF PROGRAMS PROVIDING BENEFITS OR SERVICES TO INDIVIDUALS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Summary tables illustrating growth of Federal expenditures for programs under Ways and Means jurisdiction 3

- 1. Total Federal expenditures for spending programs under Ways and Means jurisdiction for fiscal years 1970, 1975, 1980, 1981, and 1982 3
- 2. Total Federal expenditures in constant 1982 dollars for spending programs under Ways and Means jurisdiction for fiscal years 1970, 1975, 1980, 1981, and 1982 4
- 3. Average numbers of recipients in programs under Ways and Means jurisdiction for fiscal years 1970, 1975, 1980, 1981, and 1982 5
- 4. Average expenditure per recipient (enrollee) for programs under Ways and Means jurisdiction for fiscal years 1970, 1975, 1980, 1981, and 1982 6
- 5. Average expenditure in constant 1982 dollars per recipient (enrollee) for programs under Ways and Means jurisdiction for fiscal years 1970, 1975, 1980, 1981, and 1982 7
- 6. CBO baseline projections for programs within the jurisdiction for the Committee on Ways and Means for fiscal years 1983, 1984, 1985, 1986, 1987, and 1988 8
- 7. Ways and Means program outlays compared with total Federal Government outlays for selected years.. 9
- 8. Ways and Means program outlays compared with total Federal outlays in percentage terms for selected years 10
- 9. Outlay impact of legislative changes enacted during 1981 and 1982 on programs within the jurisdiction of the Committee on Ways and Means 11
- 10. Percentage reduction in outlays resulting from legislative changes enacted during 1981 and 1982 on programs within the jurisdiction of the Committee on Ways and Means 12

Page

Section 2. The old-age and survivors insurance programs (OASI) 13
General 13
Benefits 13
Benefit eligibility: insured status 16
Benefit computation 17
Benefit amounts 20
Benefit reduction and increase 21
Automatic benefit adjustments 23
Characteristics of beneficiary population 24

Appendix A. Statistical history and future benefit projections of the social security programs 33
Coverage 33
Benefits 36
Financing 48

Appendix B. Demographic and economic characteristics of the aged 55

Section 3. Disability insurance program 72
General 72
Benefits 72
Benefit computation 75
Determination of disability 76
Vocational rehabilitation 80
Disability claims and appeals structure 81
Recent experience in the disability program 85
Characteristics of DI beneficiaries 86

Section 4. Medicare 89
Eligibility 89
Number of beneficiaries 89
Coverage 90
Benefits 91
End stage renal disease program 92
Administration 93
Reimbursement policies and procedures 93
Utilization and quality control peer review program 94
Financing 95

Appendix C. National health care expenditures and expenditures for health care of the elderly 98
National health expenditures 98
Expenditures for hospital care 101
Health care expenditures of the elderly 102
Distribution of per recipient medicare expenditures and deductible and copayment amounts 106
Expenditures for hospital care by the elderly 109
Expenditures for physician services by the elderly 111
Supply of hospital beds and physicians 111

Appendix D. Reimbursement for hospitals and physicians under medicare 115
Reimbursements to hospitals 115
Statutory requirements 115
Allowable costs—general principles 116
Cost apportionment 121

Appendix D. Reimbursement for hospitals and physicians under medicare—Continued

Reimbursements to hospitals—Continued

Page
Special limits 123
Reimbursement to skilled nursing facilities and home health agency services 125
Reimbursement to physicians 126
Examples of "reasonable charge" determinations 127
Definition of "assignments" 127
Assignment rate experience 128

Appendix E. Brief explanation of medicaid program and interaction with AFDC, SSI, and medicare programs 131
Eligibility 131
Categorically needy 131
Medically needy 132
Medicare-medicaid relationship 133
Services 133
Financing 134
Reimbursement policy 135
Administration 135
Program data 135

Section 5. OASDHI financing 148
Overview 148
Summary of current financing problem 148
Current law 149
History of financing structure 154
Current status of the trust funds 158
Long range financing 164
Economic and demographic assumptions 166
Sensitivity of OASDI cost to different assumptions 168

Section 6. Trade adjustment assistance 170
Trade adjustment assistance program for workers 170
Certification requirements 170
Eligibility requirements for trade readjustment allowances 172
Benefit levels and duration 173
Training and other employment services, job search, and relocation allowances 175
Funding 176
Trade adjustment assistance program for firms 176
Benefits 177
Funding 179

Section 7. Unemployment compensation 180
Overview 180
Benefits 187
Extended benefits 196
Federal supplemental compensation 198
Hypothetical benefit levels for various workers in selected regular State programs 199
Financing 206
Changes made by the Tax Equity and Fiscal Responsibility Act of 1982 212
Administration's fiscal year 1984 financial projections 215

Section 7. Unemployment compensation—Continued Page
Administrative financing and allocation 220

Appendix F. Statistical data on unemployment and historical information on the unemployment compensation program .. 223

Section 8. Aid to families with dependent children (title IV-A) 250
Eligibility 250
Financing 251
Federal and State expenditures 254
Benefit levels 256
Benefit level changes over time 261
Treatment of earnings 265
Number of beneficiaries and average benefit levels 267
Interaction of AFDC with medicaid, food stamps, and the tax system under prior and current law 270
Interaction with food stamps 271
Interaction with SSI and social security 276
Characteristics 276
Work incentive (WIN) program (title IV-C) 282
Child support enforcement program (title IV-D) 285
Financing 286
Changes made by 97th Congress 292
Administration 294

Appendix G. The food stamp program 296
Administration and funding 296
Eligibility 298
Benefits 301
Use of food stamps 303
Interaction with cash assistance programs 303

Section 9. Earned income tax credit 306
Eligibility 306
Benefits 306
Interaction with AFDC and food stamps 307
Data 308

Section 10. SSI program description 310
Basic eligibility 310
Federal benefit levels 310
Income eligibility 312
Resources 313
Deeming of income and resources 313
State supplementation 314
Interaction with other programs (medicaid and food stamps) 315
Comparison of SSI payment levels to poverty thresholds .. 315
Financing 317
Number of recipients and average payments 317
Characteristics of recipients 319
Special SSI benefits, continued medicaid services, and related provisions for the working disabled 322

Section 11. Low-income home energy assistance 333
Allotments to States and territories 333
Eligibility and types of assistance 335

Section 11. Low-income home energy assistance—Continued

Page

Planning and administration 342

Section 12. Title XX social service programs 343
Planning and administrative requirements 345
Recipients of title XX funded social services 346
Types of social services provided under title XX 349

Section 13. Child welfare, foster care, and adoption assistance program—title IV, parts B and E 352
Enacted child welfare and foster care reforms 353
Financial incentives to States to implement improved child welfare services and procedures 354
Adoption assistance program 355
Implementation of child welfare and foster care reforms 356

Appendix H. Explanation and impact of major changes enacted into law during 1982 for spending programs within the jurisdiction of the Committee on Ways and Means 368
Trade adjustment assistance (TAA) 374
Social security 375
Unemployment compensation 378
Aid to families with dependent children 389
Child support enforcement 395
Supplemental security income (SSI) 397
Medicare 401

Appendix I. Summary and impact of major changes enacted into law during 1981 for spending programs within the jurisdiction of the committee on Ways and Means 425
Summary tables 425
Preliminary impact for two of the 1981 legislative changes 432
Summary description of 1981 changes 436
Trade adjustment assistance (TAA) 436
Social security 438
Unemployment trust fund 441
Aid to families with dependent children and child support enforcement 444
Supplemental security income (SSI) 449
Social services 450
Low income energy assistance 450
Medicare 450
Provisions affecting hospital insurance (part A) 450
Provisions relating to supplementary medical insurance (part B) 452

Appendix J. Selected economic and poverty data 454
Poverty rates and trends 458
Poverty trends 458
Poverty rates 459
Pre-post transfer income poverty rates 460
Unemployed persons—their poverty status and income sources 463
Noncash benefits and poverty 471

Appendix K. Examples illustrating the interaction between social security, SSI, food stamps, medicaid, AFDC, unemployment compensation, and the tax system as earnings increase for aged couples, a mother with two children, and a two-parent family with two children ..... Page 476

Appendix L. Quality control systems 480
  Measurement of error 480
  Administration 481
  Corrective action 481
  Sanctions and incentives 482

PART 2. TRUST FUNDS (OR SPECIAL FUNDS) WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Black lung disability trust fund 491
  Legislative history and jurisdiction 491
  Benefit structure 492
  Financing mechanism 495
  Financial status of trust fund 495

Section 2. Airport and airway trust fund 497
  Legislative history 497
  Financing mechanism 499
  Expenditure purposes 500
  Miscellaneous 501
  Financial status of trust fund 502

Section 3. Highway trust fund 504
  Legislative history 504
  Financing mechanism 507
  Expenditures purposes 510
  Miscellaneous 511
  Financial status of trust fund 511

Section 4. Inland waterways trust fund 516
  Legislative history 516
  Financing mechanism 516
  Expenditure purposes 516
  Miscellaneous 516
  Financial status of trust fund 517

Section 5. Land and water conservation fund 518
  Legislative history 518
  Financing mechanism 518
  Expenditure purposes 519
  Miscellaneous 519
  Financial status of fund 520

Section 6. National recreational boating safety and facilities improvement fund ("Biaggi" fund) 521
  Legislative history 521
  Financing mechanism 521
  Expenditure purposes 521
  Miscellaneous 522
  Financial status of fund 522

Section 7. Fish restoration and management projects ("Dingell-Johnson" fund) 524

Section 7. Fish restoration and management projects ("Dingell-Johnson" fund)—Continued
Page
Legislative history 524
Financing mechanism 524
Expenditure purposes 524
Miscellaneous 525

Section 8. Wildlife restoration projects ("Pittman-Robertson" fund) 526
Legislative history 526
Financing mechanism 526
Expenditure purposes 526
Miscellaneous 527

Section 9. Reforestation trust fund 528
Legislative history 528
Financing mechanism 528
Expenditure purposes 528
Miscellaneous 528
Financial status of fund 529

Section 10. Superfunds 530
Hazardous substance response trust fund 530
Legislative history 530
Financing mechanism 530
Expenditure purposes 532
Miscellaneous 533
Financial status of fund 533
Post-closure liability trust fund 533
Legislative history 533
Financing mechanism 533
Expenditure purposes 534
Miscellaneous 534
Financial status of fund 535

Section 11. Deep seabed revenue sharing trust fund 536
Legislative history 536
Financing mechanism 536
Expenditures purposes 537
Miscellaneous 537
Financial status of fund 537

Section 12. Tax Court judges survivors annuity fund 538
Legislative history 538
Financing mechanism 538
Expenditure purposes 538
Miscellaneous 539
Financial status of fund 539

Section 13. Railroad retirement system 540
Jurisdiction 540
Benefit structure 541
Financing the railroad retirement system 545
Financial status of the railroad retirement account 548

PART 3. REVENUES

Section 1. Summary information 555

Page
Section 2. Bibliographic information 563

PART 4. OTHER MATTERS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Public debt and debt management 571
Section 2. The Federal Financing Bank 578
  Legislative history 578
  Operations of the FFB 578
  Outlays and acquisitions 579
Section 3. Pension Benefit Guaranty Corporation 581
  Legislative history 581
  Explanation of the Corporation and its functions 581
Section 4. Capital construction fund 585
  Legislative history 585
  General explanation 585

PART 1

DESCRIPTION OF PROGRAMS PROVIDING BENEFITS OR SERVICES TO INDIVIDUALS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1.—Summary Tables Illustrating Growth of Federal Expenditures for Programs Under Ways and Means Jurisdiction

SUMMARY TABLE 1.—TOTAL FEDERAL EXPENDITURES FOR SPENDING PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1981, AND 1982

[In billions of dollars]

Programs	Fiscal year (actual)				
	1970	1975	1980	1981	1982
Social Security (OASI)	27.3	56.7	103.2	122.3	137.9
Social Security (DI)	3.0	8.0	15.3	17.3	18.0
Medicare—Part A	5.0	10.6	24.3	29.2	34.9
Medicare—Part B	2.2	4.2	10.7	13.2	15.6
Trade adjustment assistance	(1)	(1)	1.6	1.4	.1
Unemployment insurance, regular benefits	3.3	11.2	13.4	15.4	21.2
Unemployment insurance, extended benefits		2.1	1.1	2.1	1.9
Aid to families with dependent children (AFDC) (includes foster care)	2.8	5.1	7.3	8.5	8.0
Supplemental security income (SSI)	[2] 2.0	4.7	6.4	7.2	7.7
Low-income energy assistance	(1)	(1)	1.6	1.7	1.7
Title XX social services program	.5	2.0	2.7	3.0	2.6
Title IV–B child welfare program	(3)	.1	.1	.2	.2
Earned income tax credit [4]			1.3	1.3	1.2
Total [5]	46.1	104.7	189.0	222.8	251.0

[1] No program or outlays less than $50,000,000.

[2] Adult cash welfare programs that preceded SSI.

[3] $46,000,000.

[4] These amounts reflect only the outlay portion of the credit.

[5] Totals may not add due to rounding.

Note.—Included in "Unemployment insurance, regular benefits" are regular benefits, unemployment compensation for ex-service members and Federal employees and Federal and State administrative costs. "Unemployment insurance, extended benefits" includes special unemployment assistance and Federal supplemental benefits. Medicare Part B expenditures have not been adjusted by subtracting premiums paid by Part B enrollees.

Source: Various OMB Budget Appendixes.

SUMMARY TABLE 2.—TOTAL FEDERAL EXPENDITURES IN CONSTANT 1982 DOLLARS FOR SPENDING PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1981, AND 1982 [1]

[In billions of dollars]

Programs	Fiscal year				
	1970	1975	1980	1981	1982
Social Security (OASI)	68.9	94.5	121.8	131.0	137.9
Social Security (DI)	7.6	13.3	18.1	18.5	18.0
Medicare—Part A	12.6	17.7	28.7	31.3	34.9
Medicare—Part B	5.6	7.0	12.6	14.1	15.6
Trade adjustment assistance	(1)	(1)	2.0	1.6	.1
Unemployment insurance, regular benefits	8.3	18.7	15.8	16.5	21.2
Unemployment insurance, extended benefits		3.5	1.3	2.2	1.9
Aid to families with dependent children (AFDC) (includes foster care)	7.1	8.5	8.6	8.7	8.0
Supplemental security income (SSI)	[2] 5.1	7.8	7.6	7.7	7.7
Low-income energy assistance	(1)	(1)	1.9	1.8	1.7
Title XX social services programs	1.3	3.3	3.2	3.2	2.6
Title IV-B child welfare program	(3)	.2	.1	.2	.2
Earned income tax credit			1.5	1.4	1.2
Total	116.5	174.5	223.2	232.3	251.0

---

[1] The expenditures in Table 1 were converted into constant 1982 dollars using the CPI–X1 consumer price index.

[2] Adult cash welfare programs that preceded SSI.

[3] No program or outlays less than $50,000,000.

SUMMARY TABLE 3.—AVERAGE NUMBER OF RECIPIENTS IN PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1981, AND 1982

[Numbers in thousands]

Programs	Fiscal year				
	1970	1975	1980	1981	1982
Social Security (OASI) [1]	22,827	26,941	30,466	30,937	31,809
Social Security (DI) [1]	2,488	3,911	4,770	4,682	4,337
Medicare—Part A [2]	20,000	23,700	27,400	27,969	28,642
Medicare—Part B [2]	19,200	23,300	27,100	27,691	28,223
Trade adjustment assistance [3]	(4)	(4)	245	281	NA
Unemployment insurance, regular benefits [3]	1,071	2,736	2,635	2,549	3,837
Unemployment insurance, extended benefits [3]	(4)	366	221	406	NA
Aid to families with dependent children (AFDC) (includes foster care) [5]	7,426	11,078	10,499	11,068	10,424
Earned income tax credit [6]	(4)	6,215	6,954	6,703	NA
Supplemental security income (SSI)	[7] 2,958	[5] 4,096	4,160	3,663	3,562

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[1] Number enrolled at mid-point of fiscal year.

[2] Persons with protection.

[3] Average weekly number.

[4] No program or outlays less than $50,000,000.

[5] Average monthly number.

[6] Calendar year—number of families receiving EITC.

[7] Number at mid-point of fiscal year in adult cash welfare programs that preceded SSI.

NA—Not available.

Note.—Figures represent an estimate of the number of recipients at a given point during the year—not all recipients during the entire year.

Source: Various OMB Budget Appendices.

SUMMARY TABLE 4.—AVERAGE EXPENDITURE PER RECIPIENT (ENROLLEE) FOR PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1981, AND 1982

[In dollars]

Programs	Fiscal year				
	1970	1975	1980	1981	1982
Social Security (OASI) (annual)	1,197	2,104	3,387	3,953	4,336
Social Security (DI) (annual)	1,206	2,040	3,208	3,695	4,158
Medicare:					
Part A (annual)	248	448	886	1,044	1,217
Part B (annual)	114	179	396	477	551
Trade adjustment assistance (weekly) [1]	(2)	(2)	126	140	119
Unemployment insurance, regular benefits (weekly) [1]	46	70	98	102	113
Unemployment insurance, extended benefits (weekly) [1]	(2)	65	127	100	NA
Aid to families with dependent children (AFDC) (includes foster care) (annual)	372	464	649	736	766
Earned income tax credit [1, 5]	(2)	201	286	285	NA
Supplemental security income (SSI) (annual)	[3] 672	1,145	1,547	1,958	2,155
Low-income energy assistance	(2)	(2)	....	[4] 248	NA

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[1] Benefit amount; does not include administrative costs.

[2] No program or outlays less than $50,000,000.

[3] Adult cash welfare programs that preceded SSI.

[4] The average for the low income energy assistance program is per household.

[5] Calendar year average per family.

NA—Not available.

Note.—Average annual benefits to AFDC recipients are higher than shown because States contribute 46 percent of total benefits. Amounts shown include only the Federal portion.

Source: Various OMB Budget Appendices.

SUMMARY TABLE 5.—AVERAGE EXPENDITURE IN CONSTANT 1982 DOLLARS PER RECIPIENT (ENROLLEE) FOR PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1980, 1981, AND 1982

[In dollars]

Programs	Fiscal year				
	1970	1975	1980	1981	1982
Social Security (OASI) (annual)	3,022	3,507	3,997	4,234	4,336
Social Security (DI) (annual)	3,045	3,401	3,785	3,957	4,158
Medicare:					
Part A (annual)	626	997	1,045	1,118	1,217
Part B (annual)	288	298	467	511	551
Trade adjustment assistance (weekly)	(1)	(1)	149	150	NA
Unemployment insurance, regular benefits (weekly)	116	117	116	109	113
Unemployment insurance, extended benefits (weekly)		108	150	107	NA
Aid to families with dependent children (AFDC) (includes foster care) (annual)	939	773	766	788	766
Earned income tax credit	(1)	335	337	305	NA
Supplemental security income (SSI)[2] (annual)	1,697	1,909	1,825	2,097	2,155

[1] No program or outlays less than $50,000,000.

[2] Adult cash welfare programs that preceded SSI.

NA—Not available.

Note.—The average expenditure (benefit) in table 4 was converted into constant 1982 dollars using the CPI-X1 consumer price index.

SUMMARY TABLE 6.—CBO BASELINE PROJECTIONS FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS FOR FISCAL YEARS 1983, 1984, 1985, 1986, 1987, AND 1988

[In billions of dollars]

	1983	1984	1985	1986	1987	1988
Social security	170.1	181.6	193.8	206.6	219.9	235.0
OASI	(151.4)	(162.5)	(174.6)	(187.2)	(199.9)	(214.2)
DI	(18.7)	(19.1)	(19.2)	(19.4)	(20.0)	(20.8)
Medicare	52.7	60.4	68.4	79.3	92.3	105.3
Health insurance	(38.9)	(44.3)	(49.7)	(57.3)	(66.4)	(74.7)
Supplementary medical insurance	(13.8)	(16.1)	(18.7)	(22.0)	(25.9)	(30.5)
Trade adjustment assistance	.1	.1	(1)	(1)	(1)	(1)
Unemployment assistance	30.2	24.2	22.9	22.6	22.3	22.1
AFDC and child support	8.1	8.4	8.5	8.8	9.1	9.5
Earned income tax credit	1.2	1.1	1.0	1.0	1.0	.9
SSI	8.6	7.4	8.1	8.4	8.6	9.6
Low income energy assistance	2.0	2.2	2.2	2.3	2.4	2.4
Social services (title XX)	[2] 2.5	2.5	2.6	2.7	2.7	2.7
Child welfare, foster care, adoption assistance	.6	.6	.6	.6	.7	.7
Total	276.0	288.5	308.2	332.3	359.0	388.2

[1] Less than $50 million.

[2] Actually $2.45 billion.

Note.—SSI estimates include 13 months of benefits in fiscal years 1983 and 1988. Fiscal year 1984 includes 11 months of benefits. Part B (SMI) expenditures have been adjusted by subtracting premiums paid by Part B enrollees. This conforms to the new OMB convention.

Source: Congressional Budget Office.

SUMMARY TABLE 7.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL GOVERNMENT OUTLAYS FOR SELECTED YEARS

[In billions of dollars]

	1970	1975	1980	1982	1984[1]	1988[1]
Social security (including medicare)	36.6	77.6	150.6	202.6	242.0	340.3
Unemployment Compensation and trade adjustment assistance	3.3	13.3	14.5	23.2	24.3	22.1
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	5.3	11.9	21.0	21.4	22.2	25.8
Net interest	14.4	23.2	52.5	84.7	96.0	134.0
National defense	78.6	85.6	135.9	187.4	242.0	358.0
Veterans' benefits	8.7	16.6	21.2	24.0	25.0	27.0
All other	48.8	96.1	181.0	185.1	198.5	237.8
Total	195.7	324.2	576.7	728.4	850.0	1,145.0

[1] Based upon CBO baseline current law projections.

SUMMARY TABLE 8.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL OUTLAYS IN PERCENTAGE TERMS FOR SELECTED YEARS

	1970	1975	1980	1982	1984 [1]	1988[1]
Social security (including medicare)	18.7	23.9	26.1	27.8	28.5	29.7
Unemployment compensation and trade adjustment assistance	1.7	4.1	2.5	3.2	2.9	1.9
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	2.7	3.7	3.6	2.9	2.6	2.3
Interest	7.4	7.2	9.1	11.6	11.3	11.7
National defense	40.2	26.4	23.6	25.7	28.5	31.3
Veterans' benefits	4.4	5.1	3.7	3.3	2.9	2.4
All other	24.9	29.6	31.4	25.4	23.4	20.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Ways and Means programs as percent of total Federal Government outlays, less interest	24.9	34.2	35.5	38.4	38.3	38.4

[1] Based on CBO baseline current law projections.

SUMMARY TABLE 9.—OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1981 AND 1982 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In millions of dollars]

	Fiscal year				
	1982	1983	1984	1985	1986
Trade adjustment assistance	−1,100	−930	−550	−555	−560
Social security	−1,700	−2,800	−3,700	−4,100	−4,300
Unemployment compensation[1]	−2,370	−1,730	−5,495	−6,068	−6,354
Aid to families with dependent children and child support enforcement	−875	−1,222	−1,288	−1,377	−1,404
Supplemental security income	32	−77	−68	−63	−55
Social services block grant	−699	−748	−804	−810	−815
Medicare:					
Hospital insurance	−360	−2,478	−3,677	−5,069	−4,517
Supplementary medical insurance	−175	−607	−1,215	−1,886	−2,315
Total	−7,247	−10,519	−16,797	−19,928	−20,320

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[1] Includes impact of lowering unemployment compensation thresholds. Does not include revenue increases to the UC trust funds.

SUMMARY TABLE 10.—PERCENTAGE CHANGE IN OUTLAYS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1981 AND 1982 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS[1]

	Fiscal year				
	1982	1983	1984	1985	1986
Trade adjustment assistance	−92.9	−93.0	−91.7	−92.5	−93.3
Social security	−1.1	−1.6	−2.0	−2.1	−2.0
Unemployment compensation[2]	−10.1	−5.3	−18.0	−20.5	−21.5
Aid to families with dependent children and child support enforcement	−9.9	−13.0	−13.3	−13.9	−13.7
Supplemental security income	+.4	−.9	−.9	−.8	−.7
Social services block grant	−21.4	−23.4	−31.3	−23.7	−23.2
Medicare:					
Hospital insurance	−1.0	−6.0	−7.7	−9.3	−7.3
Supplementary medical insurance	−1.1	−3.2	−5.4	−7.2	−7.7
Total	−2.9	−3.7	−5.6	−6.1	−5.8

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[1] These percentages were computed using the CBO baseline estimates presented in Summary Table 6.

[2] Includes impact of lowering unemployment compensation thresholds. Does not include revenue increases to the UC trust funds.

Section 2. The Old-Age and Survivors Insurance Programs (OASI)

The old-age and survivors insurance (OASI) program provides monthly benefits to retired workers and their dependents and to survivors of insured workers. Old-age retirement benefits were provided for by the original Social Security Act of 1935, benefits for dependents and survivors were provided by the 1939 amendments. The Disability Insurance (DI) program, enacted in 1956, is closely related to the old-age and survivors insurance program. (The disability insurance program is discussed in the next section.)

GENERAL

A worker builds protection under the OASI programs through employment which is covered by the social security system. Coverage is generally compulsory. However, employees of State and local governments and nonprofit organizations are covered on a voluntary group basis. Currently, over 90 percent of the nation's workforce is covered either voluntarily or mandatorily.

Contributions are made under the Federal Insurance Contributions Act (FICA, Chapter 21 of the Internal Revenue Code). Contributions are based on wages and earnings up to the annual maximum taxable wage base. The employee contribution is withheld from wage and salary payments to employees and is matched by employers. Self-employed persons pay contributions on their net earnings annually up to the same maximum as employees, but at a rate that is roughly 75 percent of the combined employee-employer tax rate. All OASI tax revenue is credited automatically to the Old-Age and Survivors Insurance trust fund which is the source of payment for: (1) monthly benefits when the worker retires, or dies (including a financial interchange with the Railroad Retirement system) and (2) administrative expenses for the program. No funds are disbursed for any other purpose.

BENEFITS

Summary

Monthly cash benefits under OASI are paid as a matter of earned right to workers who are insured for benefits and to their eligible dependents and survivors. Generally, benefit amounts for benefits paid both to the insured worker and to the insured worker's dependents or survivors are related to the past earnings of the insured worker. An individual may be entitled to benefits as a worker based on his own earnings history and also to benefits as a dependent of another worker. However, the amount of the benefit is adjusted so that, in effect, only the larger of the two benefits is paid.

In December 1982, there were 35.8 million beneficiaries in either the Old Age and Survivors Insurance or Disability Insurance programs which were in current-payment status. Monthly benefits paid out were $13.3 billion.

The following table summarizes various types of beneficiaries and average benefit amounts:

TABLE 1.—OASDI CASH BENEFITS IN CURRENT-PAYMENT STATUS, DECEMBER 1982

Type of beneficiary	Number (thousands)	Percent of beneficiary population	Average monthly benefit
Total monthly beneficiaries	35,840	100.0	$372
Retired workers	20,764	57.9	419
Wives and husbands of retired workers	3,039	8.5	212
Children of retired workers	559	1.6	165
Disabled workers	2,604	7.3	441
Wives and husbands of disabled workers	366	1.0	129
Children of disabled workers	1,004	2.8	128
Widowed mothers and fathers	515	1.4	303
Surviving children	2,320	6.5	285
Widows and widowers	4,481	12.5	379
Disabled widow(er)s	114	0.3	242
Parents	12	.03	335
Special age—72	63	.2	125

Description of major benefit types

Child's benefit. A monthly benefit is payable to an unmarried child or eligible grandchild of a retired or disabled worker or of a deceased worker who died fully or currently insured if the child or grandchild is: (1) under age 18; (2) a full-time elementary or secondary student under age 19; (3) a full-time postsecondary school student under age 22;[1] or (4) a dependent disabled person aged 18 or over whose disability began before age 22. A grandchild is eligible for benefits on a grandparent's earnings record (or that of the spouse of such worker) if he is dependent on the grandparent for at least half his support and his parents are either disabled or deceased or, where a parent is alive, the grandparent is dead and the child has been adopted by the surviving grandparent.

Lump-sum death benefit. A lump-sum payment is payable on the death of a fully or currently insured worker to the surviving spouse who was living with the deceased worker or was eligible to receive monthly cash survivor benefits upon the worker's death. If there is no eligible spouse, the lump-sum death payment is payable to any child of the deceased worker who is eligible to receive monthly cash benefits as a surviving child. If there is no surviving spouse and no children of the worker eligible for monthly benefits, then no one is eligible to receive the lump-sum death payment. The maximum amount is $255.

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[1] This benefit will be eliminated by May 1985. For details of the method in which the student benefit is being phased out see Appendix I.

Minimum benefit. The minimum benefit is the smallest benefit (before actuarial reduction or earnings test reduction) payable to a worker or his survivors/dependents. In 1977, the minimum benefit was frozen at $122 per month for all workers who became disabled after 1978 and all survivors of workers who died after 1978. The new frozen minimum of $122 was to have applied to all retired workers reaching age 62 in 1984 or later. However, the 97th Congress eliminated the minimum benefit for all persons becoming eligible for benefits in January 1982 or later (except for certain members of religious orders who have taken a vow of poverty who are exempt from the new law for ten years). These persons will have their benefits computed under the regular benefit computation rules. Persons already eligible for benefits prior to January 1, 1982 will be able to continue receiving the minimum benefit.

Mother's or father's benefit. A monthly benefit is payable to a widow (widower) or surviving divorced mother (father) if: (1) the deceased worker on whose account the benefit is paid was fully or currently insured at time of death and (2) the widow (widower) or surviving divorced mother (father) has one or more entitled children of the worker in his care. These payments continue until the youngest child being cared for reaches age 16.

Parent's benefit. This is the monthly benefit payable to a dependent parent, age 62 or over, of a deceased fully insured worker.

Retired-worker (old-age) benefit. This is the monthly benefit payable to a retired worker aged 62 or over who is fully insured or to a person entitled under the transitional insured-status provision in the law. Retired-worker benefit data do not include "special age-72" benefits unless so indicated.

"Special age-72" benefit. This is the monthly benefit payable to certain persons born before January 2, 1900, who do not have sufficient quarters of coverage to qualify for a retired-worker benefit under either the full or the transitional insured-status provisions. The benefit is payable only for months in which the individual is a resident of the 50 States or the District of Columbia and receives no public assistance money payments or SSI payments. It is reduced by the amount of any government pension (except workers' compensation and veterans' service-connected compensation) that the individual is receiving or is eligible to receive. When husband and wife are both eligible for these benefits, the amount payable to the wife is equal to half the amount payable to the husband.

Special minimum benefit (OASDI). This is a benefit based upon an alternative PIA which is not based on the worker's average monthly wage or average indexed monthly earnings but on his/her length (years) of covered employment. It is designed to help those who worked in covered employment for many years but had low earnings. The amount of the special minimum is computed by multiplying the number of years of coverage in excess of 10 and up to 30 by $9 for monthly benefits before 1979 and by $11.50 for monthly benefits payable after 1978. The number of years of coverage equals the number, not to exceed 14, obtained by dividing total creditable wages in 1937–50 by $900, plus the number of years after 1950 for which the worker is credited with at least 25 percent of the annual maximum taxable earnings. For this purpose for years after 1978, annual maximum taxable earnings are based on only the automatic adjustment provisions. The special minimum benefit is not subject to the delayed-retirement-credit provisions. Beginning in 1979, the automatic cost-of-living increases apply to the special minimum benefits.

Spouse's benefit. This is the monthly benefit payable to a spouse or divorced spouse of a retired or disabled worker under one of the following conditions: (1) spouse is aged 62 or older or is caring for one or more entitled children of the worker who have not achieved age 16; (2) divorced spouse is aged 62 or older, is not married, and the marriage to the worker had lasted 10 years before the divorce became final; or (3) wife was born before January 2, 1897, and husband is transitionally insured.

Widow's or Widower's Benefit. These are monthly benefits payable to: (1) a widow(er) or surviving divorced spouse of a worker fully insured at the time of death if he or she is unmarried, or remarriage occurred after age 60; and (a) is aged 60 or older or (b) aged 50–59 and has been disabled throughout a waiting period of 5 consecutive calendar months that began no later than 7 years after the month the worker died or after the end of her entitlement to benefits as a widowed mother; or (2) a widow of a transitionally insured worker if she was born before January 8, 1897.

BENEFIT ELIGIBILITY: INSURED STATUS

Benefits can only be paid to workers, their dependents or survivors if the worker is "insured" for these benefits. Insured status is measured in terms of "quarters of coverage."

Prior to 1978, one quarter of coverage was earned for each calendar quarter in which a worker was paid $50 or more in wages for covered employment (except for agricultural labor). Since the beginning of 1978 the crediting of quarters of coverage has been on an annual rather than a quarterly basis. In 1978, a worker earned one quarter of coverage, up to a total of four, for each $250 of annual earnings reported from covered employment or self-employment. The amount of annual earnings is subject to annual automatic increases, effective in January, in proportion to increases in average wages in the economy.

TABLE 2.—AMOUNT OF COVERED EARNINGS NEEDED TO EARN ONE QUARTER OF COVERAGE SINCE 1977

1978	$250
1979	260
1980	290
1981	310
1982	340
1983	370
1984	[1] 390
1985	[1] 420
1986	[1] 460
1987	[1] 490

[1] 1982 OASDI Trustee's Report (II–B projection).

For the purpose of the OASI program, there are two types of insured status: "fully insured" and "currently insured." Most workers are fully insured for benefits for themselves and for their families if they have one quarter of coverage (earned at any time after 1936) for every four quarters elapsing after 1950, or the year of reaching age 21, if later, up to the year in which they reach age 62. Fully insured status is required for eligibility for all types of benefits except survivor benefits. A person must have at least six quarters of coverage to be fully insured. A person with forty quarters of coverage is fully insured for life.

Workers are currently insured if they have six quarters of coverage during the thirteen calendar quarters ending with the quarter in which they died. Currently insured status by itself provides that the worker's family members are eligible for child's, mother's, father's and lump-sum survivor benefits.

Table 3 indicates the type of insured status which is required for the various monthly benefit categories.

TABLE 3.—INSURED STATUS REQUIREMENTS FOR VARIOUS MAJOR BENEFIT CATEGORIES

Type of benefit	Basic eligibility requirements
Retirement	Fully insured.
Dependents	
Wives, husbands	Worker entitled.
Mothers, fathers, children, grandchildren	Worker entitled.
Survivors	
Dependent parents—age 62	Worker fully insured.
Widows, widowers	Worker fully insured.
Mothers, fathers, children	Worker fully or currently insured.
Lump-sum death	Worker fully or currently insured.

BENEFIT COMPUTATION

The amount of a monthly benefit award is determined by first computing an insured worker's average monthly wage (AMW) or—in the case of most workers who attain age 62, become disabled, or die after 1978—average indexed monthly earnings (AIME). The AMW is used in computing benefits under the old (coupled) benefit formula, and the AIME is used in computing benefits under the new (decoupled) benefit formula enacted in 1977. The AMW or AIME is linked (by a table in the law or by a formula, respectively) to the monthly retirement benefit payable at age 65—called the primary insurance amount (PIA). Benefits for dependents and survivors are calculated as a percentage of the insured worker's PIA. The calculated amounts may be subject to minimum levels, and all benefits are subject to maximum limits which are stated in the law. Benefits payable to workers, spouses, widows and widowers who choose to retire before age 65 are subject to an actuarial reduction. Benefits payable to workers, spouses, widows and widowers who choose to retire after age 65 are subject to increase through the delayed retirement credit.

Average indexed monthly earnings (AIME)

The AIME is a dollar amount which represents the average monthly earnings, adjusted for the growth in average wages in the economy, which was received by the worker during his covered employment. The AIME creates an earnings record that reflects the value of the individual's earnings relative to national average earnings in the indexing year. The indexing year is the second year before the year in which the worker attains age 62, or dies. Earnings after the indexing year are counted at their nominal value.

There are four steps in the calculation of the AIME: (1) indexing the worker's earnings for each year after 1950 by dividing the worker's posted earnings for the year being indexed by the average wages of all workers in that same year and multiplying this result by the average earnings in the indexing year, (2) determining the number of computation years—the number of years after 1950 (or the year of attainment of age 21, if later) and up to the year the worker attains age 62, becomes disabled, or dies, minus dropout years, generally 5 (minimum number of computation years is 2); (3) selecting the actual computation years, based on highest earnings, from any year after 1950; and (4) dividing the sum of earnings in the computation years by the total number of months in the computation years.

These computations are illustrated in table 4 for three different workers. The actual earnings for the three workers are shown in the first three columns. These are multiplied by the indexing factor (column 4) to arrive at indexed earnings (last 3 columns of table 4). The indexing factor for 1951 is average wages when an individual turned 60 (13,773) divided by average wages for 1951 (2,799). The lowest 5 years of indexed earnings may be dropped. For example, a lifelong full-time worker earning the minimum wage would be able to drop earnings in 1955, 1972, 1973, 1974, and 1977, and would have total indexed earnings of $199,606 (see table 4). Dividing this by the number of months in the computation period (27 years×12 months=324 months) results in an average indexed monthly earnings (AIME) of $616. The corresponding AIME's for the average and maximum earners are $1,152 and $1,673.

Earnings after age 62 can increase the AIME if these later earnings exceed the indexed earnings in some previous years. Again, in the example of the minimum-wage worker, full-time earnings in 1983 would amount to $6,968, which is higher than earnings in many years included in computing the AIME. Therefore, the earnings of $6,968 could be used to replace the lowest of the included years ($6,808 in 1954) used to calculate the AIME. The substitution increases this worker's AIME by $0.49. Although for this example the effect of this recomputation is less than a 1-percent increase in AIME, the effect on many workers is likely to be much greater. For instance, if the worker had only 26 years of earnings in the 1951–1981 period, the 1982 earnings of $6,968 would have replaced a year of $0 earnings in the computation. In that case, the AIME would increase by $21.51 with the recomputation.

TABLE 4.—EARNINGS HISTORIES FOR HYPOTHETICAL WORKERS AGE 62 IN 1983

[Rounded to the nearest dollar]

Year	Nominal earnings			Indexing factor	Indexed earnings		
	Minimum [1]	Average [2]	Maximum [3]		Minimum	Average	Maximum
1951	1,560	2,799	3,600	4.921	7,677	[4] 13,773	17,716
1952	1,560	2,973	3,600	4.633	7,227	[4] 13,773	16,679
1953	1,560	3,139	3,600	4.388	6,845	[4] 13,773	15,797
1954	1,560	3,156	3,600	4.364	6,808	[4] 13,773	[4] 15,710
1955	1,560	3,301	4,200	4.172	[4] 6,508	[4] 13,773	17,522
1956	1,993	3,532	4,200	3.899	7,771	13,773	16,376
1957	2,080	3,642	4,200	3.782	7,867	13,773	15,884
1958	2,080	3,674	4,200	3.749	7,797	13,773	15,746
1959	2,080	3,856	4,800	3.572	7,430	13,773	17,146
1960	2,080	4,007	4,800	3.437	7,148	13,773	16,498
1961	2,184	4,087	4,800	3.370	7,360	13,773	16,176
1962	2,392	4,291	4,800	3.210	7,678	13,773	[4] 15,034
1963	2,461	4,397	4,800	3.132	7,708	13,773	[4] 14,990
1964	2,600	4,576	4,800	3.001	7,803	13,773	[4] 14,405
1965	2,600	4,659	4,800	2.956	7,675	13,773	[4] 14,189
1966	2,600	4,938	6,600	2.789	7,251	13,773	18,407
1967	2,886	5,213	6,600	2.642	7,625	[4] 13,773	17,437
1968	3,293	5,572	7,800	2.472	8,140	13,773	19,282
1969	3,328	5,894	7,800	2.337	7,778	13,773	18,227
1970	3,328	6,186	7,800	2.226	7,410	13,773	17,363
1971	3,328	6,497	7,800	2.120	7,029	13,773	16,539
1972	3,328	7,134	9,000	1.931	[4] 6,426	13,773	17,379
1973	3,328	7,580	10,800	1.817	[4] 6,046	13,773	19,624
1974	3,883	8,031	13,200	1.715	[4] 6,659	13,773	22,638
1975	4,368	8,631	14,100	1.596	6,971	13,773	22,504
1976	4,784	9,226	15,300	1.493	7,142	13,773	22,843
1977	4,784	9,779	16,500	1.408	[4] 6,736	13,773	23,232
1978	5,512	10,556	17,700	1.305	7,193	13,773	23,099
1979	6,032	11,479	22,900	1.200	7,238	13,773	27,480
1980	6,448	12,513	25,900	1.101	7,099	13,773	28,516
1981	6,968	13,773	29,700	1.000	6,968	13,773	29,700
1982	6,968	15,176	32,400	1.000	6,968	15,176	32,400

[1] Full-time worker at the Federal minimum wage.

[2] Full-time worker with earnings equal to the average in the economy.

[3] Worker earning the social security taxable maximum wage.

[4] Dropout years.

Average monthly wage (AMW)

The AMW, which is used in computing benefits under the old (coupled) benefit formula, is computed by: (1) determining the number of computation years—the number of years after 1950 (or the year of attainment of age 21, if later) and up to the year the worker attains age 62 (age 65 for men born before January 2, 1911) and the later of age 62 or the year 1975 for men born after January 1, 1911, onset of disability or death, minus dropout years, generally 5 (minimum number of computation years is 2); (2) selecting the actual computation years, based on highest non-indexed earnings, for any year after 1950; and (3) dividing the sum of non-indexed earnings in the computation years by the total number of months in the computation years.

Primary insurance amount (PIA)

The PIA is the monthly benefit amount which would be payable to a retired worker who begins to receive benefits at age 65 and is the amount which is used as a base for computing all benefits which are payable on the basis of that worker's earnings record.

The method of determining the PIA depends on whether an AIME or an AMW was computed for the worker. (This, of course, is determined on the basis of the worker's date of birth.) If an AMW has been computed for the worker, the PIA is determined through reference to wage tables which are updated and published annually.

Under the transitional guarantee provision of the 1977 amendments (which is applicable only to workers who attain age 62 in 1979-83) if the PIA computed under the special guarantee is higher than under the AIME method, benefits are determined on the basis of the frozen 1978 benefit table.

In cases where an AIME has been computed, the PIA is determined by applying the "Primary Benefit Formula" to the AIME. For a worker reaching age 62 in 1983, the PIA equals 90 percent of the first $254 of AIME, 32 percent of the next $1,274 of AIME, and 15 percent of the AIME above $1,528. Applying this formula to the AIME's of the three example workers results in PIA's of $344 for the minimum-wage worker, $516 for the average-wage worker, and $658 for the maximum-wage worker. The numbers $254 and $1,528 are often referred to as "bend points." These are adjusted each year by increase in average wages.

After the year of initial eligibility (age 62 for retired worker benefits), the PIA is increased each year for the increase in the Consumer Price Index (CPI). Thus, the PIA's of $344, $516, $658 would have been for January through June 1983, and will be increased by the estimated 5.1 percent cost-of-living adjustment that will increase the June 1983 benefits (received in July) under current law.

BENEFIT AMOUNTS

The PIA is the dollar amount which is payable to a worker who begins to receive benefits at age 65. Other benefits amounts are based on this amount. The following table lists major types of benefits with the percentage of the insured worker's PIA which is paid.

The actual benefit payable to the example workers described above will be less than the PIA. Workers are eligible to receive retired worker benefits at age 62 only after an actuarial reduction of 20 percent.

TABLE 5.—PERCENTAGE OF PRIMARY INSURANCE AMOUNT (PIA) PAID FOR VARIOUS MONTHLY BENEFIT CATEGORIES

Type of monthly benefit	Percent of PIA
Retirement:	
Age 70	115.0
Age 68	109.0
Age 65	100.0
Age 62	80.0
Dependents: [1]	
Wives, husbands—age 65	50.0
Mothers, fathers, children, grandchildren	50.0
Survivors: [1]	
Widows, widowers—age 65 [2]	100.0
Dependent parents—age 62	82.5
Widows, widowers, disabled—age 50	50.0
Mothers, fathers, children	75.0

[1] Subject to maximum family benefit limitation.

[2] Subject to general limitation that survivor cannot get a higher benefit than deceased worker would be getting if alive.

BENEFIT REDUCTION AND INCREASE

Social security benefits may be reduced, withheld or increased for several reasons, chiefly on account of early retirement, delayed retirement and, on account of earnings in excess of the exempt amount provided in the law ($6,600 in 1983 for beneficiaries between age 65 and 70). In addition, there is an overall limit on the total amount of benefits which can be paid at one time on the basis of any one earnings record.

Actuarial reduction. This is the reduction in monthly benefit amount payable: (a) on entitlement at ages 62–64 if the beneficiary is a retired worker, a spouse of a retired or disabled worker (with entitlement not dependent on having a child beneficiary in their care), or a divorced spouse; (b) on entitlement at age 60–64 if the beneficiary is a widow, widower, or a surviving divorced spouse; or (c) on entitlement, in case of disability, at ages 50–59 if the beneficiary is a widow, widower, or surviving divorced spouse.

At the time of award, the following reductions in benefit amount are made for:

A retired-worker beneficiary—$\frac{5}{9}$ of 1 percent for each month of entitlement before age 65 (maximum reduction of 20 percent);

A wife or husband beneficiary—$\frac{25}{36}$ of 1 percent for each month of entitlement before age 65 (maximum reduction of 25 percent);

A widow including surviving divorced spouse—$\frac{19}{40}$ of 1 percent for each month of entitlement between age 60 (maximum reduction of 28.5 percent). Disabled widow(ers) are reduced an additional $\frac{43}{240}$ of 1 percent for each month of entitlement before age 60. (Maximum reduction is 50 percent at age 50.)

The benefit continues to be paid at a reduced rate even after age 65, except that the reduced rate is refigured at age 65 for all beneficiaries and also at age 62 for a widow, widower, and a surviving divorced wife to omit months for which the reduced benefit was not paid and to take into account any additional earnings. Data on benefit awards to retired workers for 1977 indicates that 67 percent of all such awards were actuarially reduced benefits (62 percent for men, 74 percent for women).

Delayed retirement credit. A credit due a worker for delaying retirement after attaining age 65 for each month the worker: (1) was fully insured, (2) had attained age 65 but was not yet age 72, and (3) did not receive benefits because the worker had not filed an application or was working. Each monthly credit serves as a basis for increasing the monthly benefit (unless the benefit is based on a special minimum PIA) by 1/12 of 1 percent for workers who attained age 62 before 1979 and by 1/4 of 1 percent for workers attaining age 62 after 1978. The increase is applicable to the worker's monthly benefit amount but not to his PIA. Hence, auxiliary benefits are generally not affected. The exception is that a surviving spouse (including divorced) receiving widow(er)'s benefits is entitled, for months after May 1978, to the same increase that had been applied to the benefit of the deceased worker or for which the worker was eligible for at the time of death.

Maximum family benefit. The maximum monthly amount that can be paid on a worker's earnings record varies with his PIA. For benefits payable on the earnings records of retired and deceased workers, the maximum varies between 150 and 188 percent of the PIA. No more than the established maximum can be paid to a family regardless of the number of beneficiaries entitled on that earnings record. The family maximum is computed by adding fixed percentages of dollar amounts which are part of the PIA:

150 percent of the first $324 of PIA, plus;
272 percent of PIA from $324 through $468, plus;
134 percent of PIA from $468 through $610, plus;
175 percent of PIA over $610.

The dollar amounts in this benefit formula (i.e. the "bend points") are adjusted annually by the same index used to update the bend points in the primary benefit formula.

Whenever the total of the individual monthly benefits payable to all the beneficiaries entitled on one earnings record exceeds the maximum, each dependent's or survivor's benefit is proportionately reduced to bring the total within the maximum.

In computing the total of the individual monthly benefits for entitlements based on a single earnings record, a benefit payable to a divorced spouse or to a surviving divorced wife is not included.

Withholding. This is the suspension of benefit payments until the conditions causing deductions are known to have ended. Reasons for withholding benefits include: (1) earnings by a beneficiary (or any dependent drawing benefits on his earnings record) under age 70 from either covered or non-covered employment which exceeds the annual allowable amount (this is known as the "retirement test"); (2) failure of a wife under age 62 or mother or father beneficiary to have an entitled child in her care; (3) for special age-72 beneficiaries, receipt of public assistance or supplemental security income (SSI) payments or offsetting government pensions; (4) the payee is not determined; and (5) administrative reasons.

Under the "retirement test" the maximum allowable annual earnings without benefits being withheld is $6,600 in 1983 for beneficiaries aged 65 and over ($4,920 for beneficiaries under age 65). This amount is known as the "exempt amount." Benefits are reduced by $1 in benefits for every $2 in annual earnings above the exempt amount. The exempt amount is indexed to rises in the average wage in the economy. Each year that an automatic benefit increase occurs, the exempt sum of earnings is adjusted for wage increases, effective January 1. If average wages in the economy fall in a particular year, the exempt amount would not be lowered. The law provides that it may not be reduced. According to the 1982 Social Security Trustee's Report, the annual "exempt amounts" for the next 4 calendar years are projected to be as follows:

	Under age 65	Age 65 and over
1984	5,160	6,960
1985	5,520	7,560
1986	6,000	8,160
1987	6,360	8,760

Source: 1982 OASI Trustee's Report, Assumption II-B.

Some of the administrative reasons for withholding benefits are: (a) refusal of beneficiary to accept checks for personal reasons; (b) beneficiary's residence in certain foreign countries; and (c) under certain conditions, an alien beneficiary's residence outside the United States for more than 6 full consecutive calendar months.

Suspension of monthly benefit payments does not affect eligibility for hospital insurance benefits.

AUTOMATIC BENEFIT ADJUSTMENTS

If the cost-of-living as measured by the Bureau of Labor Statistics' Consumer Price Index (CPI) rises by 3 percent or more since the last benefit increase, a benefit increase for social security and SSI recipients is triggered. The change in the CPI is measured from the first calendar quarter of the base year to the first calendar quarter of the current year. If it shows a 3 percent or more increase, a benefit increase of equivalent amount will be due for the month of June following the end of the measuring period. The CPI for the two calendar quarters used to measure the change represents the straight average of the CPI for each of the 3 months in both quarters. The following example, which uses the latest benefit increase computation, illustrates how it is done:

1. Since a benefit increase occurred in 1981, this year becomes the base. The CPI for the first quarter of 1981 was 263.1. This was the arithmetical average of the CPI for January, February and March, 1981.

Month in 1981:	CPI
January	260.7
February	263.5
March	265.2
Total	789.4

The average CPI for the 1st quarter of 1981 is thus:

789.4/3=263.1

2. The CPI for the first quarter of 1982 was 282.5. This was the arithmetical average of the CPI for January, February and March, 1982.

Month in 1982:	
January	282.1
February	282.9
March	282.5
Total	847.5

The average CPI for the 1st quarter of 1982 is thus:

847.5/3=282.5

3. The percentage increase in the CPI from the first quarter of 1981 to the first quarter of 1982 is:

282.5–263.1/263.1=7.4 percent

The benefit increase is rounded to the nearest 0.1 percent. It applies to all types of beneficiaries.

The Secretary of Health and Human Services (HHS) is required by law to publish the amount of the increase in the Federal Register within 45 days after the close of the measuring period (which typically means by May 15th of each year). The change in the CPI for March of each year (the closing month of the measuring period) is announced by the Bureau of Labor Statistics somewhere between the 20th and 25th of April. The benefit increase first appears in July benefit checks, i.e., 3 months after the close of the measuring period.

CHARACTERISTICS OF BENEFICIARY POPULATION

Tables 6 through 8 provide detailed information on the numbers of various OASI beneficiaries, the average amount of monthly benefits by type of beneficiary and beneficiary population by age group and type of benefit for 1970, 1975, 1980, 1981, and 1982. More detailed information is shown in table 8 for calendar year 1980.

TABLE 6.—OASI CASH BENEFITS: AVERAGE AMOUNT OF MONTHLY BENEFITS BY TYPE AND NUMBER OF BENEFICIARIES, CALENDAR YEARS 1970, 1975, 1980, 1981 AND 1982

Period, payment status, and number/average	Retired workers and their dependents		
	Retired workers	Spouses	Children
1970:			
Current:			
Number (in thousands)	13,349	2,500	546
Average payment	$118	$61	$45
New awards:			
Number (in thousands)	1,338	339	183
Average payment	$124	$58	$45
1975:			
Current:			
Number (in thousands)	16,588	2,671	643
Average payment	$207	$105	$77
New awards:			
Number (in thousands)	1,506	351	226
Average payment	$206	$96	$82
1980:			
Current:			
Number (in thousands)	19,562	3,016	639
Average payment	$341	$172	$140
New awards:			
Number (in thousands)	1,613	361	249
Average payment	$363	$170	$155
1981:			
Current:			
Number (in thousands)	20,195	3,031	633
Average payment	$386	$195	$161
New awards:			
Number (in thousands)	1,600	341	274
Average payment	$402	$189	$193
1982:			
Current:			
Number (in thousands)	20,764	3,039	559
Average payment	$419	$212	$165
New awards:			
Number (in thousands)	1,625	352	195
Average payment	$413	$203	$190

Source: Office of Research and Statistics, Social Security Administration.

TABLE 7.—OASI CASH BENEFITS: AVERAGE AMOUNT OF MONTHLY BENEFITS BY TYPE AND NUMBER OF BENEFICIARIES, CALENDAR YEARS 1970, 1975, 1980, 1981, and 1982

Period, payment status, and number/average	Survivors of deceased workers			
	Children	Widowed mothers and fathers	Widows and widowers [1]	Parents
1970:				
Current:				
Number (in thousands)	2,688	523	3,227	29
Average payment	$82	$87	$102	$103
New awards:				
Number (in thousands)	592	112	363	2
Average payment	$78	$87	$106	$116
1975:				
Current:				
Number (in thousands)	2,919	582	3,889	21
Average payment	$139	$147	$192	$172
New awards:				
Number (in thousands)	591	116	354	1
Average payment	$137	$150	$193	$197
1980:				
Current:				
Number (in thousands)	2,610	562	4,411	15
Average payment	$240	$246	$308	$276
New awards:				
Number (in thousands)	540	108	452	1
Average payment	$239	$241	$303	$309
1981:				
Current:				
Number (in thousands)	2,546	548	4,386	14
Average payment	$271	$277	$349	$310
New awards:				
Number (in thousands)	474	100	467	1
Average payment	$264	$262	$343	$347
1982:				
Current:				
Number (in thousands)	2,320	515	4,595	12
Average payment	$285	$303	$375	$335
New awards:				
Number (in thousands)	462	87	495	1
Average payment	$279	$276	$368	$349

[1] Includes disabled widows and widowers.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 8.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1980

	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Retired workers:				
Men:				
62 to 64	996	2.8	$364.10	3.4
65 to 69	3,359	9.5	403.70	12.7
70 to 79	4,476	12.7	379.20	16.0
80 to 89	1,458	4.1	349.10	4.8
90 and over	172	.5	301.90	.5
Total, retired men	10,461	29.6	380.20	37.4
Women:				
62 to 64	1,022	2.9	241.90	2.3
65 to 69	2,656	7.5	297.80	7.4
70 to 79	3,758	10.6	315.30	11.1
80 to 89	1,468	4.2	293.20	4.0
90 and over	198	.6	244.30	.5
Total, retired women	9,101	25.8	296.80	25.4
Total, retired workers	19,562	55.4	341.40	62.8
Disabled workers:				
Men:				
Under 50	551	1.6	403.00	2.1
50 to 59	739	2.1	401.60	2.8
60 to 61	239	.7	413.90	.9
62 to 64	400	1.1	417.10	1.6
Total, disabled men	1,928	5.5	406.80	7.4
Women:				
Under 50	234	.7	321.90	.7
50 to 59	371	1.1	283.30	1.0
60 to 61	123	.3	289.40	.3
62 to 64	203	.6	293.60	.6
Total, disabled women	931	2.6	296.10	2.6
Total, disabled workers	2,859	8.1	370.70	10.0
Wives of retired workers:				
With entitled children:				
Under 35	6	(1)	88.80	(1)
35 to 44	24	.1	95.40	(1)
45 to 54	69	.2	113.60	.1
55 to 64	88	.2	134.90	.1
Total, with entitled children	187	.5	120.40	.2
Without entitled children: 62 and over	2,789	7.9	176.00	4.6
Total, wives of retired workers	2,976	8.4	172.50	4.8

TABLE 8.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1980—Continued

	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Wives of disabled workers:				
With entitled children:				
Under 35	77	.2	96.60	.1
35 to 44	133	.4	99.20	.1
45 to 54	133	.4	115.20	.1
55 to 64	39	.1	132.10	(1)
Total with entitled children	382	1.1	107.60	.4
Without entitled children: 62 and over	77	.2	125.20	.1
Total, wives of disabled workers	460	1.3	110.60	.5
Children:				
Children of retired workers:				
0 to 6	21	.1	89.10	(1)
7 to 10	43	.1	95.90	(1)
11 to 17	290	.8	118.90	.3
18 to 21 (students)	143	.4	184.00	.2
Disabled children 18 and over	141	.4	159.80	.2
Total, children of retired workers	639	1.8	140.00	.8
Children of deceased workers:				
0 to 6	159	.5	251.20	.4
7 to 10	323	.9	242.30	.7
11 to 17	1,402	4.0	231.80	3.1
18 to 21 (students)	450	1.3	265.40	1.1
Disabled children 18 and over	277	.8	226.30	.6
Total, children of deceased workers	2,610	7.4	239.50	5.9
Children of disabled workers:				
0 to 6	158	.4	99.40	.1
7 to 10	229	.6	99.60	.2
11 to 17	798	2.3	107.10	.8
18 to 21 (student)	140	.4	152.40	.2
Disabled children 18 and over	33	.1	136.00	(1)
Total, children of disabled workers	1,358	3.8	110.30	1.4
Total, children	4,607	13.0	187.60	8.1
Widowed mothers and fathers:				
Under 30	48	.1	277.20	.1
30 to 39	147	.4	241.20	.3
40 to 49	192	.5	235.60	.4
50 to 59	154	.4	252.60	.4
60 to 61	12	(1)	257.40	(1)

TABLE 8.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1980—Continued

	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
62 and over	10	(¹)	257.90	(¹)
Total, widowed mothers and fathers	563	1.6	246.20	1.3
Widows (nondisabled):				
60, 61	165	0.5	287.90	0.4
62 to 64	394	1.1	295.30	1.1
65 to 69	773	2.2	310.50	2.2
70 to 79	1,629	4.6	323.20	4.9
80 to 89	1,106	3.1	310.70	3.2
90 and over	196	0.6	275.20	0.5
Total, widows	4,263	12.0	311.50	12.4
Widowers (nondisabled):				
62 to 64	7	(¹)	236.00	(¹)
65 to 69	3	(¹)	249.30	(¹)
70 to 74	3	(¹)	242.20	(¹)
75 to 79	3	(¹)	241.80	(¹)
80 to 84	2	(¹)	237.90	(¹)
85 and over	2	(¹)	230.30	(¹)
Total, widowers	20	.1	239.40	(¹)
Disabled widows and widowers:				
50 to 54	12	(¹)	177.80	(¹)
55 to 59	47	.1	190.70	.1
60	14	(¹)	212.00	(¹)
61	14	(¹)	210.90	(¹)
62 and over	40	.1	215.80	.1
Total, disabled widows and widowers	128	.4	205.10	.2
Disabled widows	127	.4	205.40	.2
Disabled widowers	1	(¹)	145.70	(¹)
Parents: Total	15	(¹)	276.00	(¹)
Special age 72 beneficiaries (primary):				
Men	10	(¹)	104.30	(¹)
Women	81	.2	105.00	.1
Total, age 72 beneficiaries	92	.3	104.90	.1
Wives of special age 72 beneficiaries	1	(¹)	52.60	(¹)
Total	35,545	100.0	300.23	100.0

[1] Less than 0.1 percent.

Note: Columns may not add due to rounding.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 9.—1983 SUMMARY SOCIAL SECURITY INFORMATION

Tax Rate:	
Employee and employer each	6.70 percent (5.40 percent—OASDI, 1.30 percent—HI).
Self-employed	9.35 percent (8.05 percent—OASDI, 1.30 percent—HI).
Wage Base	$35,700
Quarter of Coverage	$370 equals 1 QC (minimum of $400 net earnings from self-employment needed to earn QC's based on self-employment income)
Retirement Test:	
Age 65 and over	$6,600 annual, $550.00 monthly.
Under age 65	$4,920 annual, $410.00 monthly.

Bend Points:

PIA	Maximum Family Benefit
90 percent of first $254 of AIME, plus 32 percent of AIME over $254 thru $1,528, plus 15 percent of AIME over $1,528.	150 percent of first $324 of PIA, plus 272 percent of PIA over $324 thru $468, plus 134 percent of PIA over $468 thru $610, plus 175 percent of PIA over $610.

Benefit Examples:

Retired Worker Age 65 in 1983—January 1983 PIA	Long-Range Constant Replacement Rate Under Decoupled System
Fed. minimum wage earner, 368.70	Fed. minimum wage earner, 55 percent.
Average earner, 553.50	Average earner, 42 percent.
Maximum earner, 709.50	Maximum earner, 28 percent.

Average Earnings Level: 1981 est—$13,773 [1], 1982 est—$14,686 [1]

Federal Minimum Wage Level: [2] 1981—$6,968, 1982—$6,968.

Poverty level	1980 (actual)	1981 (actual)	1982 (projected) [3]
Aged individual	$3,941	$4,360	$4,630
Couple, aged head	4,954	5,500	5,840
Family of four	8,385	9,290	9,860

[1] 1982 Trustees' Report—alternative II-B assumptions.

[2] 2,080 hours times the hourly Federal minimum wage.

[3] Bureau of Census.

Source: Office of Legislative and Regulatory Policy, Social Security Administration.

TABLE 10.—EXAMPLES OF MONTHLY CASH BENEFIT AWARDS FOR SELECTED BENEFICIARY FAMILIES WITH FIRST ELIGIBILITY IN 1982, BY AVERAGE INDEXED MONTHLY EARNINGS, EFFECTIVE JUNE 1982

Beneficiary family	Average indexed monthly earnings of insured worker									
	$100	$230	$400	$700	$1,000	$1,388	$1,600	$1,900	$2,316	$2,587
Primary insurance amount	$96.60	$222.30	$280.70	$383.80	$486.90	$620.30	$654.40	$702.80	$769.80	$813.50
Maximum family benefit	144.90	333.40	421.10	658.80	897.20	1,086.30	1,146.10	1,230,60	1,347.90	1,424.50
Disability maximum family benefit [1]	96.60	222.30	365.10	575.70	730.40	930.50	981.70	1,054.20	1,154.70	...
Disabled worker:										
Worker alone	96.00	222.00	280.00	383.00	486.00	620.00	654.00	702.00	769.00	...
Worker, spouse, and 1 child	96.00	222.00	364.00	573.00	728.00	930.00	980.00	1,052.00	1,153.00	...
Retired worker claiming benefits at age 62:										
Worker alone [2]	77.00	177.00	224.00	307.00	389.00	496.00	...	...	...	...
Worker with spouse claiming benefits:										
Age 65 or over	125.00	288.00	364.00	498.00	632.00	806.00	...	...	...	...
Age 62 [2]	113,00	260.00	329.00	450.00	571.00	728.00	...	...	...	...
Widow or widower claiming benefits:										
Age or over [3]	96.00	222.00	280.00	383.00	486.00	620.00	654.00	702.00	769.00	813.00
Age 60	69.00	158.00	200.00	274.00	348.00	443.00	467.00	502.00	550.00	581.00
Disabled widow or widower claiming benefits at age 50	48.00	111.00	140.00	191.00	243.00	310.00	327.00	351.00	384.00	406.00
1 surviving child	72.00	166.00	210.00	287.00	365.00	465.00	490.00	527.00	577.00	610.00

TABLE 10.—EXAMPLES OF MONTHLY CASH BENEFIT AWARDS FOR SELECTED BENEFICIARY FAMILIES WITH FIRST ELIGIBILITY IN 1982, BY AVERAGE INDEXED MONTHLY EARNINGS, EFFECTIVE JUNE 1982—Continued

Beneficiary family	Average indexed monthly earnings of insured worker									
	$100	$230	$400	$700	$1,000	$1,388	$1,600	$1,900	$2,316	$2,587
Widow or widower age 65 or over and 1 child	144.00	332.00	420.00	658.00	851.00	1,085.00	1,144.00	1,229.00	1,346.00	1,423.00
Widowed mother or father and 1 child	144.00	332.00	420.00	574.00	730.00	930.00	980.00	1,054.00	1,154.00	1,220.00
Widowed mother or father and 2 children	144.00	333.00	420.00	657.00	897.00	1,086.00	1,146.00	1,230.00	1,347.00	1,422.00

[1] The 1980 Amendments to the Social Security Act provide for different family maximum amounts for disability cases where the worker became entitled after June 1980. For disability beneficiaries with an AIME in June 1982 of $251 or less, the family maximum is equal to the PIA. If the AIME is $252 through $540, the family maximum is equal to 85 percent of the AIME plus the cost-of-living increase. If the AIME is greater than $540, the maximum is equal to 150 percent of the PIA.

[2] Assumes maximum reduction.

[3] A widow(er)'s benefit amount is limited to the amount the spouse would have been receiving if still living but not less than 82½ percent of the PIA.

Source: Social Security Bulletin, November 1982, p. 25

APPENDIX A. STATISTICAL HISTORY AND FUTURE BENEFIT PROJECTIONS OF THE SOCIAL SECURITY PROGRAMS

The Social Security Act of 1935 was signed into law on August 14, 1935. The immediate origin of this legislation was the Committee on Economic Security which had been charged by President Roosevelt with the task of devising safeguards "against misfortune which cannot be wholly eliminated in the man-made world of ours."

In addition to the Federal old-age retirement program (title II), the original Social Security Act also included grants-in-aid to States for: old-age pensions based on need (title I); unemployment compensation systems (title III); aid to dependent children (title IV); maternal and child welfare services, the care of crippled children and vocational rehabilitation (title VI).

The original act has been amended on numerous occasions since 1935. However, the most significant changes to title II were made by the Social Security Amendments of 1939, 1950, 1954, 1956, 1965, 1972 and 1977. In addition, the medicare title XVIII program was added to the Social Security Act in 1965.

Today the term "social security" is seldom used to refer to all of the programs included in the Social Security Act. The term is most often used to refer to either solely title II, the old-age and survivor program insurance program and, since 1956, the disability insurance program, or to both title II and to title XVIII, the medicare program. This appendix presents historical data concerning the coverage, benefits and financing of each of the three programs.

COVERAGE

The original Social Security Act provided coverage on a mandatory basis under the old-age insurance program of all employees in commerce and industry (except railroad) under age 65. Specifically excluded from coverage "due to difficulties in collecting the tax" were the following services: agricultural labor; domestic services in a private home; casual labor not in the course of the employer's trade or business; and services performed by an officer or member of a crew on a documented vessel. Also specifically excluded were services performed in the employ of: the United States Government, a state or any political subdivision of a state; and non-profit (including religious) organizations.

Coverage has been extended both on a mandatory and a voluntary basis. Mandatory coverage was extended to workers age 65 and over not otherwise excluded in 1939. In 1950 non-farm self-employed, regularly employed farm and domestic workers, and Federal civilian employees not under a retirement system were covered on a mandatory basis. In addition, the 1950 amendments provided elective coverage to State and local government employees not under a retirement system and employees of non-profit organizations.

The most significant extensions of coverage provided by the 1954 amendments were to self-employed farmers on a mandatory basis and, on an elective basis, State and local government employees (except firemen and policemen) under retirement systems and ministers. Coverage was extended to members of the uniformed services in 1956. The principal changes in coverage since 1956 concern ministers and members of religious orders.

The following two tables detail the extension of coverage under the social security program in terms of both jobs and wages:

TABLE 1.—CIVILIAN JOBS COVERED BY SOCIAL SECURITY SYSTEM, 1939–80

[In millions]

Year	Paid civilian employees [1]	OASDHI coverage	Percent covered
1939 [2]	43.6	24.0	55.1
1944 [2]	51.2	30.8	60.2
1949 [2]	56.7	34.3	60.5
1954 [2]	59.5	45.3	76.1
1955	62.8	51.8	82.5
1956	63.2	53.2	84.2
1957	63.1	53.7	85.1
1958	62.7	53.4	85.2
1959	64.4	55.4	86.0
1960	64.6	55.7	86.2
1961	65.3	56.1	85.9
1962	66.4	57.3	86.3
1963	67.6	58.5	86.5
1964	69.3	60.1	86.7
1965	71.6	62.8	87.7
1966	73.6	64.9	88.2
1967	74.4	65.7	88.3
1968	75.9	67.1	88.4
1969	78.0	68.6	87.9
1970	77.7	69.2	89.1
1971	79.3	69.8	88.0
1972	82.1	72.6	88.4
1973	84.9	75.6	89.0
1974	84.5	75.2	89.0
1975	84.8	75.7	89.3
1976	87.8	80.3	91.5
1977	92.0	82.1	89.2
1978	95.2	83.2	87.4
1979	97.5	87.5	89.7
1980	97.0	86.6	89.3

[1] Includes paid employees and self-employed for all years.

[2] Monthly average for these years; all other years as of December.

Source: Social Security Statistical Supplement, 1981, table 4, and Office of Research and Statistics.

TABLE 2.—CIVILIAN WAGES COVERED BY SOCIAL SECURITY SYSTEM, 1946–82 [1]

[Dollars in billions]

Year	Total earnings	Earnings in covered employment		Total covered earnings	Percent covered earnings
		Employed	Self-empl.		
1946	$148.7	$79.0		$79.0	53.1
1947	159.0	92.1		92.1	57.9
1948	176.4	101.9		101.9	57.8
1949	171.1	99.6		99.6	58.2
1950	185.7	109.4		109.4	58.9
1951	214.5	131.2	$16.3	147.5	68.8
1952	228.7	141.8	16.3	158.1	69.1
1953	240.4	154.0	16.9	170.9	71.1
1954	238.0	153.2	16.7	169.9	71.4
1955	254.5	169.4	24.4	193.8	76.1
1956	272.3	186.2	28.1	214.3	78.7
1957	284.5	203.1	28.2	231.3	81.3
1958	288.9	205.6	28.3	233.9	81.2
1959	306.5	222.5	29.7	252.2	82.3
1960	319.1	234.3	29.1	263.4	82.5
1961	328.0	238.8	29.9	268.7	81.9
1962	357.9	255.7	31.3	287.0	80.2
1963	363.9	268.2	31.6	299.8	82.4
1964	388.6	288.4	33.5	321.9	82.8
1965	418.9	308.6	40.2	348.8	83.2
1966	458.9	344.2	43.9	388.1	84.6
1967	488.2	374.7	44.7	419.4	85.9
1968	533.6	410.5	46.3	456.8	85.6
1969	582.7	452.5	46.9	499.4	85.3
1970	614.9	480.0	47.9	527.9	85.8
1971	650.3	505.2	50.6	555.8	85.5
1972	712.1	559.1	54.5	613.6	86.2
1973	796.4	619.8	62.8	682.6	85.7
1974	854.5	678.1	65.6	743.7	87.0
1975	896.4	717.2	70.4	787.6	87.3
1976	984.0	797.9	76.8	874.7	88.9
1977	1,087.3	887.5	80.6	968.1	89.0
1978	1,222.3	999.8	88.1	1,087.9	89.0
1979 [2]	1,367.7	1,121.2	96.2	1,217.4	89.0
1980 [2]	1,474.3	1,226.1	95.0	1,321.1	89.6
1981 [2]	1,617.5	1,349.1	98.8	1,447.9	89.5
1982 [2]	NA	1,437.5	99.0	1,536.5	NA

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[1] The "total earnings" series (1946–1979) was revised by the Bureau of Economic Analysis for the 1980 Social Security Statistical Supplement. The revisions for 1946–1974 appear on the succeeding table. The revisions for 1975–1982 appear above with revisions and projections for other categories through 1982.

[2] Projected.

Source: Social Security Statistical Supplement, 1981, table 5, Office of Research and Statistics.

BENEFITS

In order to be fully insured, under the 1939 Amendments, a worker needed 2 quarters of coverage for each year elapsed since 1936 and before the quarter in which the worker died or turned 65. The minimum required for insured status was 6 quarters and the maximum was 40. The Social Security Amendments of 1950 significantly increased the number of workers who were insured for monthly benefits by requiring only one quarter of coverage, which could be earned at any time, for each calendar year after 1950 or age 21, subject to the same maximum and minimum. The 1967 Amendments liberalized the insured status requirements for disability benefits for workers under age 31 which significantly increased the number of workers insured for disability beginning in 1969.

The 1935 Social Security Act provided monthly benefits to retired workers age 65 and over and a lump-sum death benefit to these workers. The monthly benefits were to first be paid beginning January 1, 1942. The 1939 Social Security Amendments provided benefits to dependents—wives aged 65 and over and children under age 18—of retired workers, and to survivors—widows aged 65, mothers with eligible child in care, children under age 18, and dependent parents—of deceased workers. In addition the 1939 Amendments provided that these benefits first be paid in 1940.

Benefits which have been provided in retirement and survivors programs since 1939 include: retired women aged 62–65 (1956); retired men aged 62–65 (1961); widows aged 60–64 (1956 and 1965); widowers aged 60 and over (1950, 1961, and 1972).

In 1956, benefits were extended to disabled workers aged 50–64 and to disabled children age 18 and over, if they became disabled prior to age 18. The Social Security Amendments of 1958 provided benefits to the dependents of disabled workers on the same basis as dependents of retired workers. Benefits for disabled workers under age 50 were provided in 1960.

Monthly cash benefits have been increased in order to offset the effects of inflation on an ad hoc basis 10 times prior to the first automatic cost-of-living adjustment which was incorporated in the act by the Social Security Amendments of 1972. Beginning with the 1975 increase, benefits have been increased automatically. Because inflation has been more than 3 percent in every year since 1925, there have been increases annually.

The following tables provide historical background concerning changes in insured status, benefit types, average amounts and increases, and OASDHI benefits paid:

TABLE 3.—INSURED STATUS AND COVERED WORKERS, 1940–82

[In millions]

At beginning of year	Total number of living workers	Living workers insured for retirement and/or survivor benefits						Living workers insured in event of disability
		Total insured		Fully insured			Currently insured only	
		Number	Percent	Total	Permanently insured	Not permanently insured		
1940	40.7	22.9	56.3	22.9	0.6	22.3	(1)	....
1941	44.8	24.9	55.6	24.2	1.1	23.1	0.7	....
1942	50.9	27.5	54.0	25.8	1.4	24.4	1.7	....
1943	58.5	31.2	53.3	28.1	1.8	26.3	3.1	....
1944	65.4	34.9	53.4	29.9	2.3	27.6	5.0	....
1945	69.6	38.6	55.5	31.9	2.8	29.1	6.7	....
1946	72.4	40.3	55.7	33.4	3.4	30.0	6.9	....
1947	75.2	41.8	55.6	35.4	8.6	26.8	6.4	....
1948	77.4	43.4	56.1	37.3	11.6	25.7	6.1	....
1949	79.4	44.8	56.4	38.9	13.2	25.7	5.9	....
1950	80.8	45.7	56.6	40.1	14.9	25.2	5.6	....
1951	82.7	59.8	72.3	59.8	21.0	38.8	(1)	....
1952	88.0	62.8	71.4	62.8	22.9	39.9	(1)	....
1953	90.8	68.2	75.1	68.2	25.6	42.7	(1)	....
1954	93.1	71.0	76.3	71.0	27.7	43.4	(1)	....
1955	94.7	70.6	74.6	70.2	29.9	40.4	.4	31.9
1956	98.6	71.4	72.4	70.5	32.5	38.0	.9	35.4
1957	101.4	74.3	73.3	74.0	36.1	38.0	.3	37.2
1958	103.8	77.0	74.2	76.1	38.3	37.9	.9	38.4
1959	105.3	78.9	74.9	76.5	40.3	36.2	2.4	43.4
1960	107.4	79.7	74.2	76.7	42.2	34.6	3.0	46.4
1961	109.4	85.4	78.1	84.4	47.6	36.8	1.0	48.5
1962	111.2	89.1	80.1	88.5	53.3	35.3	.5	50.5
1963	113.3	90.4	79.8	89.8	54.9	34.8	.6	51.5
1964	115.6	92.0	79.6	91.3	56.6	34.7	.8	52.3
1965	118.1	93.6	79.3	92.8	58.3	34.5	.9	53.3
1966	121.3	95.8	79.0	94.8	60.2	34.6	.9	55.0
1967	125.0	98.3	78.6	97.2	61.9	35.3	1.1	55.7
1968	127.9	101.2	79.1	99.9	63.3	36.6	1.3	56.9
1969	130.8	104.0	79.5	102.6	64.5	38.1	1.4	70.1
1970	133.5	106.9	80.1	105.4	65.8	39.6	1.5	72.4
1971	135.9	109.8	80.8	108.2	67.0	41.2	1.6	74.5
1972	138.2	112.2	81.2	110.7	68.2	42.5	1.7	76.1
1973	140.6	114.8	81.7	113.3	69.8	43.5	1.6	77.8
1974	142.9	118.1	82.6	116.5	71.0	45.5	1.6	80.4
1975	145.2	121.6	83.7	120.0	72.6	47.4	1.6	83.3
1976	148.3	124.6	84.0	123.0	74.2	48.8	1.6	85.3
1977	151.0	127.4	84.4	125.8	76.0	49.8	1.6	87.0
1978	153.7	130.3	84.8	128.8	78.0	50.8	1.5	89.4
1979	156.4	134.5	86.0	132.7	80.0	52.7	1.8	93.8

TABLE 3.—INSURED STATUS AND COVERED WORKERS, 1940–82—Continued

[In millions]

At beginning of year	Total number of living workers	Living workers insured for retirement and/or survivor benefits						Living workers insured in event of disability
		Total insured		Fully insured			Currently insured only	
		Number	Percent	Total	Permanently insured	Not permanently insured		
1980......	159.0	138.3	87.0	136.7	82.1	54.6	1.6	95.6
1981 [2]...	161.5	142.4	88.2	140.6	84.1	56.5	1.8	96.8
1982 [2]...	164.0	146.2	89.2	144.5	86.0	58.5	1.7	98.7

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[1] Persons currently insured before July 1940, or currently insured after August 1950 and before July 1954, are also fully insured.

[2] Preliminary.

Source: Social Security Statistical Supplement, 1981, and Office of Research and Statistics.

TABLE 4.—PERCENT OF INSURED WORKERS AGED 62 AND OVER IN CURRENT PAYMENT STATUS, 1941–82 [1]

	Aged 62–64			Aged 65 and over		
	Male	Female	Total	Male	Female	Total
1941				20	25	20
1945				29	40	30
1950				59	61	59
1951				57	55	56
1952				64	70	65
1953				60	64	61
1954				66	71	67
1955				70	75	71
1956				75	80	76
1960		44	44	84	87	85
1965	32	47	38	89	89	89
1966	32	46	37	90	89	89
1967	33	46	38	90	91	91
1968	33	46	38	90	91	90
1969	34	46	39	90	91	90
1970	34	46	39	90	90	90
1971	36	47	41	90	90	90
1972	39	49	43	91	89	90
1973	41	52	46	92	90	91
1974	44	54	48	94	91	93
1975	46	56	50	94	91	93
1976	49	57	53	94	91	93
1977	49	57	53	94	91	93
1978	52	59	55	94	91	93
1979	51	58	54	94	91	93
1980	52	59	55	94	91	93
1981	53	59	56	94	91	93
1982	56	59	57	94	91	93

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[1] Includes both OASI and DI worker benefits.

Source: Social Security Statistical Supplement, 1981, and Office of Research and Statistics.

TABLE 5.—OASDI AVERAGE MONTHLY BENEFI [illegible] -PAYMENT STATUS, BY SELECTED FAMILY GROUPS, SELECTED YEARS, 1944–79

[Average monthly amount]

At end of year	Retired-worker families				Survivor families				Disabled-worker families				
	Worker only			Worker and wife	Aged widow only	Widowed mother and—			Worker only			Worker, wife, and—	
	Total	Men	Women			1 child	2 children	3 or more children	Total	Men	Women	1 child	2 or more children
1944.....	23.00	24.10	19.30	37.90	20.20	34.40	47.30	50.10	.....	.....	.....	.....	.....
1950.....	42.20	44.60	34.80	71.70	36.50	76.90	93.90	92.40	.....	.....	.....	.....	.....
1955.....	59.10	64.60	49.80	103.50	48.70	106.80	135.40	133.20	.....	.....	.....	.....	.....
1960.....	69.90	79.90	59.60	123.90	57.70	131.70	188.00	181.70	87.90	91.90	76.90	184.70	192.20
1965.....	80.10	90.50	70.00	141.50	73.90	153.00	219.80	218.10	95.40	100.70	85.00	201.00	216.30
1970.....	114.20	128.70	101.60	198.90	102.40	213.00	291.10	289.90	128.10	136.30	113.10	264.10	273.20
1971.....	127.40	143.70	113.30	222.30	114.40	238.30	320.00	315.60	142.70	152.69	124.90	290.20	296.70
1972.....	157.10	177.00	140.20	272.50	138.30	290.00	383.10	376.10	175.00	188.20	151.80	356.30	362.80
1973.....	161.60	180.10	146.00	276.70	158.40	297.80	391.00	377.90	178.20	192.80	153.20	364.80	367.20
1974.....	183.10	204.20	164.60	312.30	178.80	335.00	438.40	421.90	200.00	217.80	170.60	409.90	411.30
1975.....	201.60	225.50	181.80	343.90	195.90	367.20	468.60	461.80	218.90	240.00	185.00	441.00	454.00
1976.....	218.80	245.10	197.10	373.10	211.00	399.80	503.40	499.70	327.40	261.40	199.40	482.20	495.70
1977.....	236.80	265.90	213.10	404.40	226.50	436.80	546.60	538.60	265.50	283.80	213.80	525.80	538.10
1978.....	256.60	288.90	230.30	437.50	243.60	474.00	591.90	582.80	277.90	308.50	230.20	568.00	585.90
1979.....	287.00	324.00	257.10	488.60	270.30	532.90	655.00	646.70	308.90	343.60	254.80	632.70	655.70

Source: Social Security Statistical Supplement, 1981, and Office of Research and Statistics.

TABLE 6.—HISTORICAL COMPARISON OF AVERAGE WAGE INCREASES TO BENEFIT INCREASES AND CHANGES IN CPI

[In percent]

	Increases in wages [1]		Increase in CPI [2]		Benefit increase [3]	
	Over prior year	Cumulative from each year to 1982	Over prior year	Cumulative from each year to 1982	Effective during year	Cumulative from each year to 1982
1965	1.8	212.8	1.7	208.2	7.0	270.2
1966	6.0	195.1	2.9	199.5		270.2
1967	5.6	179.4	2.9	191.0		270.2
1968	6.9	161.4	4.2	179.3	13.0	227.6
1969	5.8	147.1	5.4	165.0		227.6
1970	5.0	135.3	5.9	150.2	15.0	184.9
1971	5.0	124.1	4.3	139.9	10.0	159.0
1972	9.8	104.1	3.3	132.2	20.0	115.8
1973	6.3	92.0	6.2	118.7		115.8
1974	5.9	81.3	11.0	97.0	11.0	94.4
1975	7.5	68.7	9.1	80.6	8.0	80.0
1976	6.9	57.8	5.7	70.8	6.4	69.2
1977	6.0	48.0	6.5	60.4	5.9	59.8
1978	7.9	37.2	7.6	49.1	6.5	50.0
1979	8.7	26.2	11.4	33.8	9.9	36.5
1980	9.0	15.8	13.5	17.9	14.3	19.4
1981	[4] 8.6	6.6	10.3	6.9	11.2	7.4
1982	[4] 6.6		[4] 6.9		7.4	

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[1] Average annual earnings series used to index earnings records.

[2] Increase in annual average CPI-W.

[3] Legislated benefit increases through 1975 and increases based on the CPI thereafter.

[4] Projected under 1982 Trustees Report Alternative II-B assumptions.

Sources: 1982 Trustees Report, table 10; Social Security Statistical Supplement, 1981, pages 26 and 27; and Social Security Bulletin, table M-40.

TABLE 7.—OASDHI EXPENDITURES AS PERCENT OF TOTAL SOCIAL WELFARE EXPENDITURE [1]

[Dollars in millions]

	Total expenditure [2]	OASDHI	Percent
1929	$3,921		
1940	8,795	$40.4	0.5
1950	23,508	784.1	3.3
1955	32,640	4,436.3	13.6
1960	52,293	11,032.3	21.1
1965	77,175	16,997.5	22.0

TABLE 7.—OASDHI EXPENDITURES AS PERCENT OF TOTAL SOCIAL WELFARE EXPENDITURE [1]—Continued

[Dollars in millions]

	Total expenditure [2]	OASDHI	Percent
1970	145,856	36,835.4	25.3
1975	290,064	78,429.9	27.0
1977	361,553	105,410.1	29.2
1978	394,462	117,432.9	29.8
1979	428,333	131,750.6	30.7

[1] Expenditures include those from Federal, State and local revenues (general and special) and trust funds and other expenditures under public law.

[2] Includes expenditures for public education, health and medical programs, veteran's programs, public aid (including SSI and food stamps) as well as social insurance programs other than social security.

Source: Social Security Statistical Supplement, 1977–79.

TABLE 8.—TOTAL OASDI BENEFITS PAID, AND AS A PERCENT OF PERSONAL INCOME

[In millions]

Year	Total benefits	Cash benefits		Personal income	Total benefits as percent of personal income
		OASI	DI		
1937	$1	$1	...	$73,751	([1])
1938	10	10	...	67,951	([1])
1939	14	14	...	72,352	([1])
1940	35	35	...	77,813	([1])
1941	88	88	...	95,310	0.1
1942	131	131	...	122,392	.1
1943	166	166	...	150,695	.1
1944	209	209	...	164,352	.1
1945	274	274	...	169,828	.2
1946	378	378	...	177,317	.2
1947	466	466	...	189,779	.2
1948	556	556	...	208,471	.3
1949	667	667	...	205,635	.3
1950	961	961	...	226,102	.4
1951	1,885	1,885	...	253,677	.7
1952	2,194	2,194	...	270,410	.8
1953	3,006	3,006	...	286,146	1.1
1954	3,670	3,670	...	288,177	1.3
1955	4,968	4,968	...	308,796	1.6
1956	5,715	5,715	...	330,903	1.7
1957	7,404	7,347	$57	349,294	2.1

TABLE 8.—TOTAL OASDI BENEFITS PAID, AND AS A PERCENT OF PERSONAL INCOME—Continued

[In millions]

Year	Total benefits	Cash benefits		Personal income	Total benefits as percent of personal income
		OASI	DI		
1958	8,576	8,327	249	359,267	2.4
1959	10,298	9,842	457	382,097	2.7
1960	11,245	10,677	568	399,724	2.8
1961	12,749	11,862	887	414,967	3.1
1962	14,461	13,356	1,105	440,716	3.3
1963	15,427	14,217	1,210	463,085	3.3
1964	16,223	14,914	1,309	495,651	3.3
1965	18,311	16,737	1,573	537,031	3.4
1966	20,048	18,267	1,781	584,875	3.4
1967	21,406	19,468	1,939	626,626	3.4
1968	24,938	22,642	2,294	685,220	3.6
1969	26,751	24,209	2,542	745,827	3.6
1970	31,863	28,796	3,067	801,271	4.0
1971	37,171	33,413	3,758	859,092	4.3
1972	41,595	37,122	4,473	942,536	4.4
1973	51,459	45,741	5,718	1,052,440	4.9
1974	58,521	51,618	6,903	1,154,936	5.1
1975	66,923	58,509	8,414	1,255,486	5.3
1976	75,665	65,699	9,966	1,381,610	5.5
1977	84,576	73,113	11,463	1,531,576	5.5
1978	92,865	80,352	12,513	1,717,399	5.4
1979	104,264	90,556	13,708	1,923,700	5.4
1980	120,511	105,074	15,437	2,160,975	5.6
1981	140,996	123,796	17,200	2,404,000	5.9
1982	156,136	138,799	17,337	NA	NA

[1] Less than 0.05 percent.

NA—Not available.

Source: Social Security Statistical Supplement, 1981, and Office of Research and Statistics.

TABLE 9.—ESTIMATED COST OF OASDI AND HI SYSTEMS AS PERCENT OF GNP UNDER ALTERNATIVE II–B, 1982–2055

[In percent]

Calendar year	OASDI	HI	OASDI-HI
1982	5.16	1.30	6.46
1985	5.05	1.18	6.23

TABLE 9.—ESTIMATED COST OF OASDI AND HI-SYSTEMS AS PERCENT OF GNP UNDER ALTERNATIVE II–B, 1982–2055—Continued

[In percent]

Calendar year	OASDI	HI	OASDI–HI
1990	4.94	1.49	6.43
1995	4.76	1.90	6.66
2000	4.48	2.19	6.67
2005	4.36	2.50	6.86
2010	4.51	2.82	7.33
2015	4.92	3.05	7.97
2020	5.44	3.35	8.79
2025	5.90	3.67	9.57
2030	6.10	3.90	10.00
2035	6.05	3.97	10.02
2040	5.86	3.94	9.80
2045	5.70	3.84	9.54
2050	5.62	3.76	9.38
2055	5.54	3.68	9.22
Averages:			
1982–2006	4.75	1.81	6.56
2007–31	5.30	3.30	8.60
2032–56	5.78	3.85	9.63
1982–2056	5.28	3.04	8.32

Note.—These estimates for OASDI do not take into account the effect of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97–248). If this had been done, the figures for the OASDI–HI system would have been slightly lower.

Source: Old-Age, Survivors, and Disability Insurance and Hospital Insurance Programs, National Commission on Social Security Reform, table 9B

TABLE 10.—COST RATES FOR THE OASI AND DI TRUST FUNDS AS A PERCENT OF TAXABLE PAYROLL, 1950–81

[In percent]

Calendar year	OAI[1]	SI[1]	OASI	DI	OASDI
1940	0.10	0.09	0.19	....	0.19
1941	0.16	0.11	0.27	....	0.27
1942	0.17	0.13	0.30	....	0.30
1943	0.18	0.14	0.32	....	0.32
1944	0.20	0.16	0.36	....	0.36
1945	0.26	0.22	0.48	....	0.48
1946	0.36	0.25	0.61	....	0.61
1947	0.40	0.25	0.65	....	0.65

TABLE 10.—COST RATES FOR THE OASI AND DI TRUST FUNDS AS A PERCENT OF TAXABLE PAYROLL, 1950–81—Continued

[In percent]

Calendar year	OAI [1]	SI [1]	OASI	DI	OASDI
1948	0.46	0.26	0.72		0.72
1949	0.58	0.31	0.89		0.89
1950	0.79	0.38	1.17		1.17
1951	1.18	0.50	1.68		1.68
1952	1.28	0.55	1.83		1.83
1953	1.71	0.64	2.35		2.35
1954	2.12	0.77	2.89		2.89
1955	2.52	0.82	3.34		3.34
1956	2.72	0.84	3.56		3.56
1957	3.32	0.97	4.29	0.03	4.32
1958	3.85	1.10	4.95	0.15	5.10
1959	4.07	1.20	5.27	0.24	5.51
1960	4.29	1.30	5.59	0.30	5.89
1961	4.67	1.46	6.13	0.47	6.60
1962	5.02	1.58	6.60	0.56	7.16
1963	5.19	1.65	6.84	0.59	7.43
1964	5.17	1.66	6.83	0.62	7.45
1965	5.42	1.81	7.23	0.70	7.93
1966	4.58	1.66	6.24	0.64	6.88
1967	4.63	1.64	6.27	0.65	6.92
1968	4.64	1.71	6.35	0.67	7.03
1969	4.66	1.72	6.38	0.70	7.08
1970	5.36	1.96	7.32	0.81	8.12
1971	6.07	2.20	8.27	0.97	9.23
1972	5.98	2.15	8.13	1.01	9.14
1973	6.21	2.38	8.59	1.09	9.69
1974	6.20	2.35	8.55	1.16	9.70
1975	6.77	2.52	9.29	1.36	10.65
1976	6.89	2.53	9.42	1.44	10.86
1977	6.93	2.53	9.46	1.50	10.97
1978	6.85	2.44	9.29	1.45	10.74
1979	6.59	2.31	8.90	1.36	10.25
1980	6.94	2.40	9.34	1.38	10.72
1981	7.38	2.51	9.89	1.38	11.27

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[1] These estimates are based on the assumption that total OASI expenditures are distributed between OAI and SI in the same proportions as for actual benefits.

Note.—All numbers in this table are presented as percentages of taxable payroll and are based on data published in 1982 and earlier Trustees Reports.

Source: Office of the Actuary, Jan. 10, 1983.

TABLE 11.—ESTIMATED COST RATES FOR THE OASDI TRUST FUND AS A PERCENT OF TAXABLE PAYROLL, 1982–2060

[In percent]

Calendar year	OAI	SI	OASI	DI	OASDI
1982	7.99	2.44	10.43	1.33	11.76
1985	8.12	2.37	10.49	1.17	11.66
1990	8.30	2.22	10.52	1.10	11.62
1995	8.20	2.06	10.26	1.14	11.40
2000	7.87	1.87	9.74	1.28	11.02
2005	7.77	1.72	9.49	1.44	10.94
2010	8.29	1.64	9.93	1.60	11.52
2015	9.49	1.63	11.12	1.69	12.81
2020	11.03	1.68	12.71	1.73	14.44
2025	12.54	1.74	14.28	1.68	15.96
2030	13.44	1.78	15.22	1.60	16.82
2035	13.64	1.80	15.44	1.57	17.01
2040	13.39	1.80	15.19	1.59	16.78
2045	13.24	1.78	15.02	1.63	16.65
2050	13.32	1.76	15.08	1.63	16.71
2055	13.45	1.74	15.19	1.60	16.79
2060	13.49	1.72	15.21	1.59	16.80
25-year averages:					
1982–2006	8.06	2.07	10.13	1.22	10.99
2007–2031	10.73	1.69	12.42	1.66	13.96
2032–2056	13.41	1.78	15.19	1.60	16.79
75-year average:					
1982–2056	10.74	1.84	12.58	1.49	13.91

Note.—All estimates in this table are presented as percentages of taxable payroll and are based on the Alternative II–B assumptions of the 1982 Trustees Report modified to reflect the actual 7.4 percent benefit increase for 1982 and the enactment of TEFRA.

Source: Office of the Actuary, Jan. 10, 1983.

TABLE 12.—PAST AND FUTURE EARNINGS LEVELS, BENEFITS IN ACTUAL AND CONSTANT DOLLARS, AND REPLACEMENT RATES, UNDER PRESENT LAW, 1952–2040 [1]

Calendar year	Actual earnings in previous year			Annual initial benefit amount (actual dollars)			Annual initial benefit amounts (1982 constant dollars)			Replacement rates [3] (in percent)		
	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]	Low earner	Average earner	Maximum earner [2]
1953	1,560	2,973	3,600	[4] 714	[4] 912	[4] 1,020	[4] 2,697	[4] 3,451	[4] 3,860	45.8	30.7	28.3
1955	1,560	3,156	3,600	774	1,091	1,182	2,926	4,119	4,466	49.6	34.6	32.9
1960	2,080	3,856	4,800	936	1,284	1,428	3,198	4,395	4,886	45.0	33.3	29.7
1965	2,600	4,576	4,800	1,040	1,439	1,580	3,337	4,619	5,073	40.0	31.4	32.9
1970	3,328	5,894	7,800	1,421	2,021	2,278	3,708	5,271	5,945	42.7	34.3	29.2
1975	3,883	8,031	13,200	2,309	3,400	3,973	4,151	6,112	7,147	59.5	42.3	30.1
1980	6,032	11,479	22,900	3,859	5,862	7,437	4,374	6,647	8,432	[5] 64.0	[5] 51.1	[5] 32.5
1982	6,968	13,773	29,700	4,443	6,702	8,500	4,443	6,702	8,500	63.8	48.7	28.6
1983	6,968	14,686	32,400	4,612	6,930	8,879	4,267	6,413	8,220	66.2	47.2	27.4
1985	8,136	17,149	38,100	4,977	7,427	9,671	4,037	6,027	7,848	61.2	43.3	25.4
1987	9,292	19,584	44,400	5,606	8,469	11,181	4,103	6,194	8,185	60.3	43.2	25.2
1990	11,231	23,671	54,000	6,619	10,034	13,480	4,221	6,400	8,593	58.9	42.4	25.0
2000	19,320	40,720	94,500	11,160	17,144	24,548	4,818	7,405	10,608	57.8	42.1	26.0
2010	33,001	69,556	161,100	18,631	29,292	44,654	5,435	8,547	13,034	56.5	42.1	27.7
2020	56,370	118,811	275,700	31,362	50,041	78,014	6,181	9,865	15,387	55.6	42.1	28.3
2030	96,288	202,946	471,300	53,250	85,490	133,521	7,090	11,390	17,790	55.3	42.1	28.3
2040	164,475	346,661	804,900	90,975	146,048	228,149	8,185	13,148	20,539	55.3	42.1	28.3

[1] For workers age 65 upon retirement with steady career earnings and benefits rounded to nearest $100.

[2] Earnings equal to the social security taxable earnings base.

[3] Initial benefits expressed as percent of earnings in year prior to entitlement.

[4] 1953 benefit awards.

[5] Benefit levels and replacement rate for these workers were unaffected by the 1977 amendments.

Source: Office of the Actuary, Social Security Administration, November 19, 1982.

FINANCING

The payroll tax is imposed on covered wages up to a specific dollar amount. Workers who earn more than the maximum taxable wage base do not pay FICA tax on their earnings above the wage base.

The wage base has increased numerous times from 1937 through 1982. A majority of these increases have been provided through specific legislative amendments. However, the wage base is currently automatically adjusted annually according to the average increase in wages in the economy, but only if the cost-of-living benefit increase was established for the previous July.

The tax rates have also been changed many times since 1937. Under the original act, the OASI tax rate was scheduled to gradually increase from 1 percent in 1937 to 3 percent in 1949. These increases were delayed several times during the 1940's and the tax rate did not increase to 1.5 percent until 1950. The current OASI tax rate is 4.575 percent. The tax for the disability insurance program was 0.25 percent in 1957 and is .825 percent in 1983. The hospital insurance (medicare part A) rate was 0.35 percent in 1966 and is currently 1.30 percent.

The following two tables detail the annual taxable earnings base, the three individual and combined tax rates and the annual maximum contribution for both employees, employers, and self-employed persons:

TABLE 13.—ANNUAL MAXIMUM TAXABLE EARNINGS AND CONTRIBUTION RATE: EMPLOYERS AND EMPLOYEES, 1937–90

Beginning—	Annual maximum taxable earnings	Contribution rate			
		Total	OASI	DI	HI
1937	$3,000	1	1		
1950	3,000	1.5	1.5		
1951	3,600	1.5	1.5		
1954	3,600	2	2		
1955	4,200	2	2		
1957	4,200	2.25	2	0.25	
1959	4,800	2.5	2.25	.25	
1960	4,800	3	2.75	.25	
1962	4,800	3.125	2.875	.25	
1963	4,800	3.625	3.375	.25	
1966	6,600	4.2	3.5	.35	0.35
1967	6,600	4.4	3.55	.35	.5
1968	7,800	4.4	3.325	.475	.6
1969	7,800	4.8	3.725	.475	.6
1970	7,800	4.8	3.65	.55	.6
1971	7,800	5.2	4.05	.55	.6
1972	9,000	5.2	4.05	.55	.6
1973	10,800	5.85	4.3	.55	1.0
1974	13,200	5.85	4.375	.575	.9
1975	14,100	5.85	4.375	.575	.9

TABLE 13.—ANNUAL MAXIMUM TAXABLE EARNINGS AND CONTRIBUTION RATE: EMPLOYERS AND EMPLOYEES, 1937–90—Continued

Beginning—	Annual maximum taxable earnings	Contribution rate			
		Total	OASI	DI	HI
1976	15,300	5.85	4.375	.575	.9
1977	16,500	5.85	4.375	.575	.9
1978	17,700	6.05	4.275	.775	1.00
1979	22,900	6.13	4.33	.75	1.05
1980	25,900	6.13	4.52	.56	1.05
1981	29,700	6.65	4.70	.65	1.3
1982	32,400	6.7	4.575	.825	1.3
1983	(1)	6.7	4.575	.825	1.3
1984	(1)	6.7	4.575	.825	1.3
1985	(1)	7.05	4.75	.95	1.35
1986 to 1989	(1)	7.15	4.75	.95	1.45
1990	(1)	7.65	5.1	1.1	1.45

[1] Subject to automatic increase.

TABLE 14.—MAXIMUM ANNUAL CONTRIBUTION: EMPLOYEE, 1937–82

Beginning—	Total	OASI	DI	HI
1937	$30.00	$30.00		
1950	45.00	45.00		
1951	54.00	54.00		
1954	72.00	72.00		
1955	84.00	84.00		
1957	94.50	84.00	$10.50	
1959	120.00	108.00	12.00	
1960	144.00	132.00	12.00	
1962	150.00	138.00	12.00	
1963	174.00	162.00	12.00	
1966	277.20	231.00	23.10	$23.10
1967	290.40	234.30	23.10	33.00
1968	343.20	259.35	37.05	46.80
1969	374.40	290.55	37.05	46.80
1970	374.40	284.70	42.90	46.80
1971	405.60	315.90	42.90	46.80
1972	468.00	364.50	49.50	54.00
1973	631.80	464.40	59.40	108.00
1974	772.20	577.50	75.90	118.80
1975	824.85	618.88	81.08	126.90
1976	895.05	669.38	87.98	137.70
1977	965.25	721.88	94.88	148.50

TABLE 14.—MAXIMUM ANNUAL CONTRIBUTION: EMPLOYEE, 1937–82—Continued

Beginning—	Total	OASI	DI	HI
1978	1,070.85	756.68	137.18	177.00
1979	1,403.77	991.57	171.75	240.45
1980	1,587.67	1,170.68	145.04	271.95
1981	1,975.05	1,395.90	193.05	386.10
1982	2,170.81	1,482.30	267.30	421.20
Total cumulative employee contributions 1937 to 1982	16,936.49	12,828.50	1,674.14	2,433.90

TABLE 15.—ANNUAL MAXIMUM TAXABLE EARNINGS AND CONTRIBUTION RATE: SELF-EMPLOYED, 1937–90

Beginning—	Annual maximum taxable earnings	Contribution rate			
		Total	OASI	DI	HI
1937	$3,000				
1950	3,000				
1951	3,600	2.25	2.25		
1954	3,600	3	3		
1955	4,200	3	3		
1957	4,200	3.375	3	0.375	
1959	4,800	3.75	3.375	.375	
1960	4,800	4.5	4.125	.375	
1962	4,800	4.7	4.325	.375	
1963	4,800	5.4	5.025	.375	
1966	6,600	6.15	5.275	.525	0.35
1967	6,600	6.4	5.375	.525	.5
1968	7,800	6.4	5.0875	.7125	.6
1969	7,800	6.9	5.5875	.7125	.6
1970	7,800	6.9	5.475	.825	.6
1971	7,800	7.5	6.075	.825	.6
1972	9,000	7.5	6.075	.825	.6
1973	10,800	8	6.205	.795	1.0
1974	13,200	7.9	6.185	.815	.9
1975	14,100	7.9	6.185	.815	.9
1976	15,300	7.9	6.185	.815	.9
1977	16,500	7.9	6.185	.815	.9
1978	17,700	8.10	6.01	1.09	1.00
1979	22,900	8.10	6.01	1.04	1.05
1980	25,900	8.10	6.2725	.7775	1.05
1981	29,700	9.30	7.025	.975	1.30

TABLE 15.—ANNUAL MAXIMUM TAXABLE EARNINGS AND CONTRIBUTION RATE: SELF-EMPLOYED, 1937–90—Continued

Beginning—	Annual maximum taxable earnings	Contribution rate			
		Total	OASI	DI	HI
1982	32,400	9.35	6.8125	1.2375	1.30
1983	35,700	9.35	6.8125	1.2375	1.30
1984	([1])	9.35	6.8125	1.2375	1.30
1985	([1])	9.90	7.125	1.425	1.35
1986 to 1989	([1])	10.00	7.125	1.425	1.45
1990	([1])	10.75	7.65	1.65	1.45

[1] Subject to automatic increase.

TABLE 16.—MAXIMUM ANNUAL CONTRIBUTION: SELF-EMPLOYED, 1937–82

Beginning—	Total	OASI	DI	HI
1937				
1950				
1951	$81.00	$81.00		
1954	108.00	108.00		
1955	126.00	126.00		
1957	141.75	126.00	$15.75	
1959	180.00	162.00	18.00	
1960	216.00	198.00	18.00	
1962	225.60	207.60	18.00	
1963	259.20	241.20	18.00	
1966	405.90	348.15	34.65	$23.10
1967	422.40	354.75	34.65	33.00
1968	499.20	396.82	55.57	46.80
1969	538.20	435.82	55.57	46.80
1970	538.20	427.05	64.35	46.80
1971	585.00	473.85	64.35	46.80
1972	675.00	546.75	74.25	54.00
1973	864.00	670.14	85.86	108.00
1974	1,042.80	816.42	107.58	118.80
1975	1,113.90	872.08	114.91	126.90
1976	1,208.70	946.30	124.69	137.70
1977	1,303.50	1,020.52	134.47	148.50
1978	1,433.70	1,063.77	192.93	177.00
1979	1,854.90	1,376.29	238.16	240.45
1980	2,097.90	1,624.58	201.37	271.95
1981	2,762.10	2,086.43	289.57	386.10
1982	3,029.40	2,207.25	400.95	421.20
Cumulative contributions, 1937 to 1982	22,876.50	18,011.19	2,431.40	2,433.90

TABLE 17.—TAXABLE COVERED WAGES AS A PERCENT OF ALL COVERED WAGES, 1937–82

Year	Earnings		
	Total in covered employment (in millions)	Reported taxable	
		Amount (in millions)	Percent of total
1937	$32,200	$29,620	92.0
1938	28,500	26,500	93.0
1939	32,200	29,750	92.4
1940	35,700	32,970	92.4
1941	45,500	41,850	92.0
1942	58,200	52,940	91.0
1943	69,700	62,420	89.6
1944	73,300	64,430	87.9
1945	71,600	62,950	87.9
1946	79,300	69,090	87.1
1947	92,400	78,370	84.8
1948	102,300	84,120	82.2
1949	100,000	81,810	81.8
1950	109,800	87,500	79.7
1951	148,900	120,770	81.1
1952	159,900	128,640	80.5
1953	173,000	135,870	78.5
1954	171,900	133,520	77.7
1955	196,100	157,540	80.3
1956	216,800	170,720	78.8
1957	233,900	181,380	77.5
1958	236,500	180,720	76.4
1959	255,000	202,310	79.3
1960	265,200	207,000	78.1
1961	270,700	209,640	77.4
1962	289,000	219,050	75.8
1963	302,300	225,550	74.6
1964	324,500	236,390	72.8
1965	351,700	250,730	71.3
1966	390,700	312,540	80.0
1967	422,300	329,960	78.1
1968	460,000	375,840	81.7
1969	502,800	402,550	80.1
1970	531,600	415,600	78.2
1971	559,700	426,960	76.3
1972	617,900	484,110	78.3
1973	686,700	561,850	81.8
1974	746,700	636,760	85.3

TABLE 17.—TAXABLE COVERED WAGES AS A PERCENT OF ALL COVERED WAGES, 1937-82—Continued

Year	Earnings		
	Total in covered employment (in millions)	Reported taxable	
		Amount (in millions)	Percent of total
1975	787,600	664,660	84.4
1976	874,700	737,700	84.4
1977	968,100	817,300	84.4
1978	1,087,900	915,800	84.2
1979	1,217,200	1,070,600	88.0
1980	1,319,700	1,174,200	89.0
1981	1,451,200	1,300,100	89.6
1982	1,514,700	1,363,500	90.0

Source: Social Security Statistical Supplement, 1981, table 30, and Office of the Actuary, SSA.

Table 18 indicates the status of the three major social security funds, both separated and combined, measured as a percent of assets available at the beginning of each year:

TABLE 18.—ASSETS OF OLD-AGE AND SURVIVORS INSURANCE (OASI), DISABILITY INSURANCE (DI), AND HOSPITAL INSURANCE TRUST FUNDS AT BEGINNING OF YEAR AS PERCENT OF OUTGO DURING YEAR

[In percent]

Year	OASI	DI	HI	Combined
1937				
1938	7,660			7,660
1939	8,085			8,085
1940	2,781			2,781
1941	1,782			1,782
1942	1,737			1,737
1943	1,891			1,891
1944	2,025			2,025
1945	1,975			1,975
1946	1,704			1,704
1947	1,592			1,592
1948	1,542			1,542
1949	1,487			1,487
1950	1,156			1,156
1951	698			698
1952	681			681
1953	564			564
1954	500			500
1955	405			405
1956	371			371

TABLE 18.—ASSETS OF OLD-AGE AND SURVIVORS INSURANCE (OASI), DISABILITY INSURANCE (DI), AND HOSPITAL INSURANCE TRUST FUNDS AT BEGINNING OF YEAR AS PERCENT OF OUTGO DURING YEAR—Continued

[In percent]

Year	OASI	DI	HI	Combined
1957	300			300
1958	259	249		259
1959	212	284		215
1960	180	304		186
1961	164	239		169
1962	141	206		146
1963	123	183		128
1964	118	159		122
1965	109	121		110
1966	96	83		91
1967	101	83	28	90
1968	103	83	25	90
1969	102	111	43	95
1970	101	126	47	96
1971	94	140	54	93
1972	88	140	47	87
1973	75	125	40	76
1974	68	110	69	73
1975	63	92	79	68
1976	54	71	77	60
1977	47	48	66	50
1978	39	26	57	41
1979	30	30	54	34
1980	23	35	52	29
1981	18	20	45	23

Source: Social Security Statistical Supplement, 1977–79 and various trustees' reports.

APPENDIX B. DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AGED

This appendix presents selected data on the demographic and economic characteristics of the elderly. The tables within the appendix are derived from the following sources:

(1) June O'Neil, sources of Income to the Elderly with Special Reference to Elderly Women (draft), the Urban Institute;

(2) U.S. Bureau of the Census, U.S. Census of Population;

(3) U.S. Bureau of the Census, Current Population Report, series P-60;

(4) Social Security Administration, Survey of Income and Program Participation, 1979; and

(5) 1981 Employment and Training Report of the President.

The data source for each table is noted at the bottom of each table.

Some definitions that may be useful for reading the tables:

(1) Aged and elderly refer to anyone 65 years and older.

(2) OASDI and social security are interchangeable terms.

(3) Supplemental security income, at times, is abbreviated SSI.

The information for tables 8-20 were obtained from the Social Security Administration's Survey of Income and Program Participation of 1979. These were special tabulations requested by committee staff to examine the income sources for families with elderly members. The universe of 86,360,000 families (including many families with only one person—unlike typical census definitions) were split into families with and without an individual over age 65. The families with an aged individual were further divided into three groups: (1) families where all members are over age 65 (Tables 8-14); (2) couples with one person over and one under age 65 (Tables 15-18); and (3) other families with individuals over age 65. The families with no one over age 65 were also subdivided into age groups dependent upon the receipt of social security and supplemental security income. The weighted count of families and individuals is shown in the table below:

[In thousands]

	No. of families	No. of individuals
All families	86,394	222,525
Family includes aged	18,565	33,899
Aged only	12,756	17,485
Couples with only 1 aged member	2,512	5,025
Other families with an aged member	3,297	11,390
No aged members in family	67,829	188,626
Family includes at least 1 OASDI or SSI recipient	6,646	17,123
At least 1 OASDI recipient age 60 to 64	2,471	5,218
At least 1 OASDI recipient under age 60, none over age 59	2,981	8,799
No OASDI recipients, but at least 1 SSI recipient	1,193	3,106
No OASDI or SSI recipients in family	61,183	171,503

All of the tabulations from this study are based on the wave II public use file that was developed by the U.S, Bureau of Census. The survey was conducted in early 1979 and income for a particular family or household was obtained over a 3-month period. Thus, unlike other census data, poverty ratios are calculated by dividing income over 3 months by ¼ of the annual poverty thresholds.

TABLE 1.—ELDERLY POPULATION AS PERCENT OF TOTAL POPULATION AND DISTRIBUTION OF ELDERLY BY AGE, 1940 TO 1970, AND PROJECTION 1979 TO 2025, SELECTED YEARS

	1940	1950	1960	1970	1979[1]	1990[1]	2000[1]	2025[1]
Population 65 years and older (in thousands)	9,019	12,257	16,207	20,101	25,187	31,577	34,488	56,118
Percent of total population	6.8	8.2	9.0	9.9	11.0	12.5	12.7	18.1
Percent distribution by age:								
Total 65 years and older	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men 65 and older	48.8	46.8	45.1	42.0	40.2	39.9	39.6	40.9
Men 65 to 74	35.1	32.7	31.0	27.0	26.4	25.2	23.1	26.1
Men 75 and older	13.7	14.1	14.1	15.0	13.8	14.7	16.5	14.8
Women 65 and older	51.2	53.2	54.9	58.0	59.7	60.1	60.4	59.1
Women 65 to 74	35.6	35.9	35.9	34.8	34.3	32.3	29.2	32.2
Women 75 and older	15.6	17.3	19.0	23.2	25.4	27.8	31.2	26.9

[1] Projection.

Note: Population data for 1940 and 1950 include coterminous U.S. only; 1960 and 1970 refer to total U.S. population; 1979 to 2025 refer to total U.S. plus the outlying areas and include an adjustment for the population under count.

Source: 1940 to 1970, U.S. Bureau of the Census, U.S. Census of Population, 1950, 1960, and 1970; 1979 to 2025, 1979 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, and unpublished estimates from the Office of the Actuary, Social Security Administration. (O'Neil study.)

TABLE 2.—MARITAL STATUS OF AGED INDIVIDUALS, [1] BY SEX AND AGE, 1968 AND 1978

	1968		1978	
	65 to 74 years	75 years and older	65 to 74 years	75 years and older
Men:				
Number (in thousands)	5,096	2,776	6,080	3,090
Percent	100.0	100.0	100.0	100.0
Married, wife present	79.4	59.7	78.1	68.2
Married, wife absent	2.0	2.3	3.0	2.1
Widowed	10.8	30.3	9.7	23.0
Divorced	2.6	1.9	3.5	1.8
Never married	5.3	5.8	5.7	4.8
Women:				
Number (in thousands)	6,395	3,978	8,189	5,109
Percent	100.0	100.0	100.0	100.0
Married, husband present	45.6	20.5	46.2	21.6
Married, husband absent	1.5	.8	2.2	1.3
Widowed	43.3	70.2	41.2	69.3
Divorced	2.5	1.4	3.9	2.1
Never married	7.1	7.2	6.6	5.7

[1] Civilian noninstitutional population only for both 1968 and 1978.

Note: Details may not add to totals due to rounding.

Source: U.S. Bureau of the Census, Current Population Report, series P–20, Nos. 187 and 338. (O'Neill study.)

TABLE 3.—CIVILIAN LABOR FORCE PARTICIPATION RATES [1] OF PERSONS 55 YEARS AND OVER, BY AGE AND SEX, SELECTED YEARS, 1950–80

Years	1950	1955	1960	1965	1970	1975	1978	1980
Men:								
55 to 64	86.9	87.9	86.8	84.6	83.0	75.8	73.5	72.3
55 to 59	([2])	92.5	91.6	90.2	89.5	84.4	82.9	([2])
60 to 64	([2])	82.5	81.1	78.0	75.0	65.7	62.0	([2])
60 to 61	([2])	([2])	([2])	84.8	82.6	75.2	73.0	([2])
62 to 64	([2])	([2])	([2])	73.2	69.4	58.8	54.2	([2])
65 and over	45.8	39.6	33.1	27.9	26.8	21.7	20.5	19.1
Women:								
55 to 64	27.0	32.5	37.2	41.4	43.0	41.0	41.4	41.5
55 to 59	([2])	35.6	42.2	47.1	50.4	47.9	48.6	([2])
60 to 64	([2])	29.0	31.4	34.0	36.1	33.3	33.1	([2])
60 to 61	([2])	([2])	([2])	40.4	41.4	39.5	39.7	([2])
62 to 64	([2])	([2])	([2])	29.5	32.3	29.0	28.5	([2])
65 and over	9.7	10.6	10.8	10.0	9.7	8.3	8.4	8.1

[1] Civilian labor force as percent of civilian population.

[2] Data not available.

Source: Monthly Labor Review, November 1979 (O' Neill study), and 1981 Employment and Training Report of the President.

TABLE 4.—CHANGES IN POVERTY STATUS OF ALL PERSONS, AND THE ELDERLY BY SEX, RACE AND FAMILY STATUS, SELECTED YEARS 1959 to 1981

[Percent below the poverty level]

	1959	1966	1970	1975	1977	1980	1981[2]
All persons	22.4	14.7	12.6	12.3	11.6	13.0	14.0
Persons 65 years old and over:							
Both sexes	35.2	28.5	24.5	15.3	14.1	15.7	15.3
Men	N.A.	23.7	19.0	11.4	10.5	10.9	10.5
Women	N.A.	32.1	28.4	18.1	16.7	19.0	18.6
Black women[1]	N.A.	57.3	53.2	40.2	41.1	42.6	43.5
Wives	57.7	51.9	41.8	23.8	26.8	23.5	28.9
Unrelated individual	84.6	83.9	79.2	65.8	60.7	66.6	64.3
Black men[1]	N.A.	52.2	41.3	31.0	29.7	31.5	32.3
Family head	60.4	50.0	39.2	26.0	28.4	25.0	29.2
Unrelated individual	77.5	72.7	59.7	51.8	39.4	45.4	46.0
White women[1]	N.A.	30.3	26.5	16.1	14.4	16.8	16.2
Wives	28.9	20.2	14.0	7.2	6.2	7.0	6.4
Unrelated individual	61.8	55.2	47.5	29.1	25.8	29.3	28.2
White men[1]	N.A.	21.3	17.0	9.5	8.3	9.0	8.5
Family head	26.8	18.7	13.8	7.1	6.2	6.9	6.4
Unrelated individual	56.8	41.3	36.0	23.8	20.1	21.1	19.7

[1] Total includes other types of family members not separately designated.

[2] The poverty definition used to produce the estimates for 1981 has changed slightly from previous years. If the new method were used for 1980, the heading "All persons" would read 13.2 percent below the poverty level, not 13.0 percent.

Sources: U.S. Bureau of the Census, Current Population Reports series P–60 referring to the population below the poverty level, various years in series.

TABLE 5.—PERCENTAGE OF PERSONS BY FAMILY TYPE AT VARIOUS PERCENTAGES OF THE OFFICIAL POVERTY THRESHOLD, SPRING, 1979

[Row percents based on weighted counts]

Family composition	Total family money income as a percent of poverty level						
	Total	Less than 50 percent	Less than 100 percent	100 to 124.9 percent	125 to 149.9 percent	150 to 199.9 percent	200 percent or more
Total	100.0	3.6	11.2	4.4	5.5	10.4	68.5
Family includes aged	100.0	1.9	13.6	9.4	5.1	14.4	57.4
Aged only	100.0	1.7	17.4	11.5	6.7	16.8	47.6
Couples with only 1 aged member	100.0	1.2	7.3	4.9	2.7	10.0	75.1
Other families with an aged member	100.0	2.4	10.7	8.1	3.8	12.8	64.6
No aged members in family	100.0	3.9	10.8	3.6	5.5	9.7	70.5
Family includes at least 1 OASDI or SSI recipient	100.0	4.2	24.4	5.4	9.6	13.5	47.1
At least 1 OASDI recipient age 60 to 64	100.0	.7	16.0	7.4	7.2	6.5	63.0
At least 1 OASDI recipient under age 60, none over age 59	100.0	2.7	19.4	4.7	8.5	19.5	48.0
No OASDI recipients, but at least 1 SSI recipient	100.0	14.1	53.0	4.4	16.5	8.1	18.0
No OASDI or SSI recipients in family	100.0	3.8	9.4	3.4	5.1	9.3	72.8

Source: Social Security Administration, Office of Policy, Office of Research and Statistics. Unpublished data from the second wave of the 1978 research panel, income survey development program (ISDP). The estimates are based on the wave II public use file that was developed by the U.S. Bureau of the Census.

TABLE 6.—ASSET INCOME AND HOME OWNERSHIP BY AGE, SEX, AND MARITAL STATUS, 1975 [1]

	Total	Age	
		65–72	73 and over
Couples:			
Population (in thousands)	6,826	4,118	2,708
Average personal income, dollars	10,652	11,504	9,359
Percent with asset income	73.1	72.8	73.7
Mean asset income, dollars	2,780	2,684	2,924
Percent own home	82.4	83.7	80.4
Percent of owners with mortgage	12.8	18.8	10.4
Nonmarried men:			
Population (in thousands)	2,020	971	1,049
Average personal income, dollars	5,604	5,622	5,588
Percent with asset income	52.6	47.6	57.1
Mean asset income, dollars	1,916	1,620	2,145
Percent living alone	60.9	54.7	66.5
Percent own home	55.8	52.8	58.0
Percent of owners with mortgage	9.1	13.4	6.1
Nonmarried women:			
Population (in thousands)	7,962	3,314	4,648
Average personal income, dollars	4,237	4,825	3,821
Percent with asset income	55.9	57.7	54.6
Mean asset income, dollars	1,673	1,657	1,684
Percent living alone	62.3	65.3	60.2
Percent own home	58.6	59.6	57.8
Percent of owners with mortgage	9.1	12.9	6.0

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[1] Asset income includes income derivable from (1) interest on savings accounts or bonds; (2) dividends from stockholdings and membership in associations; (3) periodic receipts from estates or trust funds; (4) net income from rental of property; (5) receipts from boarders or lodgers; and (6) net royalties.

Source: Survey of Income and Education. (O'Neill study.)

TABLE 7.—PER CAPITA FAMILY INCOME,[1] BY AGE OF FAMILY HEAD, FOR SELECTED YEARS

[In 1980 dollars]

Age of family head	1970	1975 (percent change: 1970 to 1975)	1980 (percent change: 1975 to 1980)	Percent change: 1970 to 1980
All families	$6,784	$7,320 (7.9)	$7,753 (5.9)	14.3
25 to 34	$6,001	$6,841 (14.0)	$7,172 (4.8)	19.5
35 to 44	$5,827	$6,416 (10.1)	$7,172 (11.8)	23.1
45 to 54	$7,803	$8,180 (4.8)	$8,584 (4.9)	10.0
55 to 64	$9,170	$9,463	$9,984	8.9

TABLE 7.—PER CAPITA FAMILY INCOME,[1] BY AGE OF FAMILY HEAD, FOR SELECTED YEARS—Continued

[In 1980 dollars]

Age of family head	1970	1975 (percent change: 1970 to 1975)	1980 (percent change: 1975 to 1980)	Percent change: 1970 to 1980
65 and over	$6,273	(3.2) $6,977 (11.2)	(5.5) $7,238 (3.7)	15.4

[1] Total family income divided by number of family members. Unrelated individuals are considered as families.

Note.—This table represents, for families varying by age of head, aggregate family income divided by the number of persons in such families. For example, the table shows that per capita income of families with an aged head was $7,238 in 1980, slightly less than that of all families ($7,753). From 1970 to 1975, real growth in per capita income of families with an aged head was substantially greater than that of all families (11.2 percent versus 7.9 percent). However, from 1975 to 1980 per capita income of aged families rose at a slower rate than that of all families (3.7 percent versus 5.9 percent.) Unrelated individuals are considered as families.

Source: Figures compiled by CRS from U.S. Census Bureau Reports (Series P–60).

TABLE 8.—SUMMARY COMPARISON OF ELDERLY-ONLY FAMILIES CLASSIFIED BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY THRESHOLD

	Less than 100 percent	100 to 124.9 percent	125 to 149.9 percent	150 to 199.9 percent	200 percent or more	Total
Number of families (in thousands)	2,742	1,801	890	2,066	5,257	12,756
Percent	21.5	14.1	7.0	16.2	41.2	100.0
Percent with any social security income	87.5	96.7	98.5	96.7	94.0	93.7
Percent with any SSI income	29.9	13.8	6.5	2.4	0.4	9.4
Percent of total family income comprised of social security benefits	74.9	63.9	68.8	67.0	26.2	37.6
Percent of total family income comprised of SSI benefits	14.3	4.5	1.5	0.3	0.0	1.2
Number of persons (in thousands)	3,037	2,006	1,178	2,934	8,330	17,485
Percent	17.4	11.5	6.7	16.8	47.6	100.0
Average family size	1.11	1.11	1.32	1.42	1.58	1.37
Average family income (based on 1979 dollars)	$2,620	$3,930	$5,147	$6,426	$17,850	$9,874

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 9.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY INCOME AS A COMPONENT OF TOTAL FAMILY INCOME, BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES COMPRISED ONLY OF AGED INDIVIDUALS

[In percent]

	Total family money income as a percent of the poverty level					
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty	Total
Percent of total family income comprised of social security:						
1 to 24.9	0.0	1.0	0.0	0.0	23.6	9.8
25 to 49.9	4.5	11.2	14.5	14.6	42.7	23.5
50 to 79.9	30.4	30.9	54.5	61.5	26.6	35.6
80 to 89.95	8.2	12.6	14.8	10.7	0.2	6.4
90 or more	[1] 44.4	40.9	14.7	9.9	0.8	18.3
Percent of families with social security income	87.5	96.7	98.5	96.7	94.0	93.7
Percent of families without social security income	12.5	3.3	1.5	3.3	6.0	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1] The number 44.4 in the first column means that 44.4 percent of families with all individuals in the family over age 65 with total incomes less than poverty depend upon social security benefits for 90 percent or more of their income.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 10.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY AND SUPPLEMENTAL SECURITY INCOME AS A COMPONENT, BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES COMPRISED ONLY OF AGED INDIVIDUALS

[In percent]

	Total family money income as a percent of the poverty level			
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	Total
Percent of total family income comprised by social security and SSI:				
1 to 24.9	1.1	0.2	0.1	8.0
25 to 49.9	1.5	8.3	14.7	22.4
50 to 79.9	18.4	29.7	51.3	32.5
80 to 89.9	6.8	10.3	14.4	5.6
90 or more	[1] 69.0	49.9	18.4	25.4
Percent of families with social security and/or SSI income	96.8	98.4	98.9	93.9

TABLE 10.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY AND SUPPLEMENTAL SECURITY INCOME AS A COMPONENT, BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES COMPRISED ONLY OF AGED INDIVIDUALS—Continued

[In percent]

	Total family money income as a percent of the poverty level			
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	Total
Percent of families without social security or SSI income	3.2	1.6	1.1	6.1
Total	100.0	100.0	100.0	100.0

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[1] The number 69.0 in the first column means that 69 percent of families with all individuals in the family over age 65 with total incomes less than poverty depend upon social security and/or SSI benefits for 90 percent or more of their income.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 11.—RECEIPT OF SOCIAL SECURITY, SUPPLEMENTAL SECURITY INCOME, FOOD STAMPS, AND COMBINATIONS THEREOF, AMONG FAMILIES COMPRISED ONLY OF ELDERLY INDIVIDUALS CLASSIFIED BY FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY THRESHOLD

Type of benefit	Less than 100 percent		100 to 149.9 percent	
	Number (in thousands)	Percent	Number (in thousands)	Percent
Social security	2,400	87.5	2,618	97.3
SSI	820	29.9	1,068	39.7
Food stamps	762	27.8	143	5.3
Social security only[1]	1,574	57.4	2,242	83.3
SSI only[1]	86	3.1	38	1.4
Food stamps only[1]	20	0.7	0	0.0
Social security and food stamps	606	22.1	143	5.0
Social security and SSI	594	21.7	271	10.1
SSI and food stamps	481	17.5	64	2.4
All three income sources	346	12.6	64	2.4
No social security, SSI, or food stamps	105	3.8	38	1.4
Total	2,742		2,691	

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[1] Row 4 which is labeled "social security only" means the family only receives social security and does not receive SSI or food stamps. The family could be recieving other types of income. The same is true of row 5 and 6.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 12.—PERCENTAGE SHARE OF TOTAL INCOME RECEIVED FROM DIFFERENT SOURCES OF INCOME FOR FAMILIES COMPROMISED ONLY OF ELDERLY INDIVIDUALS AND CLASSIFIED BY FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL

[In percent]

Source of income	All	Total family income as a percent of the poverty level				
		Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty
OASDI	37.6	74.9	75.4	68.8	67.0	26.2
SSI	1.2	14.3	4.5	1.5	0.3	0.0
Veterans	1.0	2.3	1.9	3.5	0.8	0.8
Public pension	8.8	1.7	4.8	3.7	4.5	10.5
Private pension	6.2	0.8	1.9	3.9	8.2	6.7
Earnings	12.7	0.3	3.5	3.5	5.0	15.8
Property income	27.1	3.3	6.2	14.5	12.0	33.3
Other	5.4	2.3	1.9	0.6	2.4	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note.—This table shows the percentage share of the various sources of income for aged only based on their family income compared to the poverty level. The table illustrates that as a family's income increases, the percentage of total income from social security and supplemental security income declines. For families with incomes below the poverty level, 74.9 percent of their income is social security while only 26.2 percent of total income are social security benefits for families with incomes twice the poverty level.

Source: Preliminary data from Survey of Income and Program Participation: Spring, 1979 data.

TABLE 13.—PERCENT OF FAMILIES, COMPRISED OF AGED ONLY, WITH SELECTED SOURCES OF INCOME CLASSIFIED BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL

Type of program benefit	Total	Total family income as a percent of the poverty level				
		Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty
Social security	93.7	87.5	96.7	98.5	96.7	94.0
SSI	9.4	29.9	13.8	6.5	2.4	0.4
Food stamps	7.2	27.4	5.7	3.6	0.1	0.5
Veterans	6.8	6.6	11.2	13.6	4.6	5.0
Earnings	19.4	2.4	9.8	10.9	17.2	34.0
Property income	75.3	40.8	60.4	83.4	85.4	93.0
Public pension	7.9	0.8	5.5	1.8	3.2	15.3
Private pension	26.2	5.9	9.7	20.2	38.2	38.7

Note.—This table depicts the percent of aged only families that receive a selected source of income. For example, the first number means that 93.7 percent of families comprised of only individuals 65 or older receive social security as a part of their total family income. The bottom number in the last column means that 38.7 percent of families that have a total income of twice that of the poverty level receive private pensions.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 14.—PERCENTAGE DISTRIBUTION OF SELECTED SOURCES OF INCOME OF AGED ONLY FAMILIES CLASSIFIED BY FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL

[In percent]

Type of program benefit	Percent of income source received by families with only elderly individuals	Total family money income as a percent of the poverty level				
		less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty
Social security	54.4	11.4	11.3	6.7	18.8	51.9
SSI	24.0	70.4	21.7	4.6	2.5	0.8
Food stamps	5.4	82.4	8.3	2.3	0.3	6.7
Veterans	17.3	12.5	11.7	11.9	6.8	57.1
Public pension	31.9	1.1	3.1	1.5	5.3	89.0
Private pension	41.4	0.8	1.7	2.3	14.0	81.2
Earnings	1.3	0.1	1.5	1.0	4.1	93.2
Property income	21.6	0.7	1.3	1.9	4.7	91.4

Note.—This table represents the percentage of selected sources of income distributed by aged-only families at various income levels. The first number in the first column says that 54.4 percent of all social security benefits paid are received by families that contain only aged members. The second number in the first row shows that 11.4 percent of all social security dollars given to aged only families are received by families whose total family income is less than 100 percent of the poverty level. The last number in the first row represents the percent of all social security dollars received by aged only families whose income is twice the poverty level (51.9 percent).

Source: Preliminary data from Survey of Income and Program Participation, March 1979 data.

TABLE 15.—SUMMARY COMPARISON OF FAMILIES WITH AN ELDERLY MEMBER CLASSIFIED BY TOTAL FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL

	Less than 100 percent	100 to 124.9 percent	125 to 149.9 percent	150 to 199.9 percent	200 percent or more	Total
Number of families (in thousands)	3,303	2,186	1,067	2,758	9,255	18,565
Percent	17.8	11.8	5.7	14.9	49.8	100.0
Percent with any social security income	86.9	96.5	98.7	93.6	89.0	90.8
Percent with any SSI income	32.6	15.7	8.2	8.5	2.9	10.8
Percent of total family income comprised of social security benefits	53.0	54.8	57.4	43.9	16.5	20.0
Percent of total family income comprised of social security and SSI benefits	17.4	3.4	2.8	6.5	0.3	1.1
Number of persons (in thousands)	4,617	3,180	1,744	4,894	19,465	33,899
Percent	13.6	9.4	5.1	14.4	57.4	100.0
Average family size	1.40	1.45	1.63	1.77	2.10	1.82
Average family income	$2,799	$4,325	$5,609	$7,178	$20,495	$12,606

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 16.—PERCENTAGE DISTRIBUTION—SOCIAL SECURITY INCOME AS A COMPONENT OF TOTAL FAMILY INCOME, BY TOTAL MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL FOR FAMILIES WITH AN AGED INDIVIDUAL

[In percent]

	Total family money income as a percent of the poverty level					
	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty	Total
Percent of total family income comprised by social security:						
1 to 24.9	0.7	3.1	2.5	3.1	34.0	18.1
25 to 49.9	7.5	12.6	18.4	16.2	32.8	22.6
50 to 79.9	32.0	31.6	49.6	53.2	20.4	30.4
80 to 89.9	7.7	12.7	13.4	11.0	1.2	5.9
90 or more	39.0	36.5	14.9	10.1	0.5	13.8
Percent of families with social security income	86.9	96.5	98.7	93.6	89.0	90.8
Percent of families without social security income	13.1	3.5	1.3	6.4	11.0	9.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note.—This table illustrates the percentage of the total family income which are social security benefits for families which include at least one aged member. The first column shows for those families below poverty how much of the family's income is comprised of social security payments. For 39.0 percent of the families below poverty, more than 90 percent of their income is generated by social security payments. This column also shows that more than 86.9 percent of these families receive social security and 13.1 percent of these families do not receive any social security payments.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 17.—PERCENT OF FAMILIES, WHICH INCLUDE AN AGED MEMBER, WITH SELECTED SOURCES OF INCOME

		Total family money income as a percent of the poverty level				
Type of program benefit	Total	Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty
Social security	90.8	86.9	96.5	98.7	93.6	89.0
SSI	10.8	32.6	15.7	8.2	8.5	2.9
Food stamps	6.7	29.9	5.7	6.6	0.3	3.5
Veterans	9.2	10.5	9.7	17.5	15.6	7.5
Earnings	62.1	32.2	41.3	54.8	50.9	70.5
Property income	79.8	53.6	56.9	52.0	74.2	87.9
Public pensions	10.1	0.0	2.8	0.0	3.2	13.8
Private pensions	23.7	2.3	8.2	29.4	28.2	27.2

Note.—This table depicts the percent of families, who include at least one aged member over age 65, that receive income of a given type. The first number in the first column means that 90.8 percent of all these families receive social security payments. The first number in the last column means 89.0 percent of all families with an elderly member whose income is more than twice that of the poverty level receive social security payments.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

TABLE 18.—PERCENTAGE DISTRIBUTION OF SELECTED SOURCES OF INCOME FOR FAMILIES WHICH INCLUDE AN AGED INDIVIDUAL CLASSIFIED BY FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL

[In percent]

Type of program benefit	Percent of income source received by families with aged individuals	Total family money income as a percent of the poverty level				
		Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty
Social security	78.9	9.3	9.5	5.6	17.2	58.4
SSI	45.4	50.8	15.9	4.4	15.9	13.0
Food stamps	10.3	71.4	6.7	1.5	3.4	17.0
Veterans	29.8	9.5	8.0	8.5	11.5	62.5
Public pension	52.9	0.7	2.1	1.0	4.5	91.8
Private pension	59.0	0.6	1.3	2.1	12.8	83.2
Earnings	5.3	0.5	1.3	1.0	3.8	93.4
Property income	31.3	0.8	1.2	1.4	3.9	92.7

Note.—This table shows for families with one aged member the percentage of selected sources of income received by families classified by poverty level. The first number in the first column, 78.9 percent, means that 78.9 percent of all social security benefits are given to families that include an aged member. The next number in the first row means 9.3 percent of all social security benefits received by these families are given to those families that have an income of less than 100 percent of the poverty level.

Source: Preliminary data from Survey of Income and Program participation, Spring 1979 data.

TABLE 19.—PERCENTAGE DISTRIBUTION OF SELECTED SOURCES OF INCOME AMONG DIFFERENT TYPES OF FAMILIES

[In percent]

Family composition	Social security	SSI	AFDC	Food stamps	Unemployment compensation	Public pension	Private pension	Earnings	Property income
Family including aged	78.9	45.4	4.4	10.3	7.6	52.9	59.0	5.3	31.3
Aged only	54.4	24.0	1.9	5.4	3.9	31.9	41.4	1.3	21.6
Couple with 1 aged member	10.8	3.8	0.1	0.6	0.0	16.1	10.5	1.0	5.4
Other	13.7	17.7	2.5	4.3	3.7	41.9	7.1	3.0	4.3
No aged members in family	21.1	54.6	95.6	89.7	92.4	47.1	41.0	94.7	68.7

Note.—This table depicts the percentage distribution of selected sources of income among differnt types of families. The first number means that 78.9 percent of all social security payments go to families with at least one aged member over 65 within the familiy. The next number in the first column means that 54.4 percent of social security benefits go to families that only include individuals 65 or older.

Source: Preliminary data from survey of Income and Program Participation, Spring 1979 data.

TABLE 20.—PERCENTAGE DISTRIBUTION OF SELECTED SOURCES OF INCOME FOR ALL FAMILIES CLASSIFIED BY FAMILY MONEY INCOME AS A PERCENT OF THE POVERTY LEVEL

[In percent]

Type of program benefit	Total	Total family money income as a percent of the poverty level				
		Less than 100 percent of poverty	100 to 124.9 percent of poverty	125 to 149.9 percent of poverty	150 to 199.9 percent of poverty	Over 200 percent of poverty
Social security	100.0	9.7	8.9	6.5	16.9	58.0
SSI	100.0	45.7	13.7	9.7	13.6	17.3
AFDC	100.0	63.5	10.2	8.0	4.1	14.2
Food stamps	100.0	63.2	12.3	12.2	4.1	8.2
Unemployment compensation	100.0	13.8	2.7	14.7	12.1	56.7
Earnings	100.0	0.8	0.9	1.8	4.6	91.9
Property income	100.0	1.0	0.6	1.0	1.8	95.6
Public pensions	100.0	0.2	1.5	0.8	3.7	93.8
Private pensions	100.0	0.8	1.5	1.9	10.4	85.4

Note.—This table illustrates the percentage of selected sources of income distributed to families classified by poverty level. The second number in the first row means that 9.7 percent of all social security goes to families whose income is less than 100 percent of the poverty level. The last number in the first row says that 58.0 percent of social security benefits go to families that have a total family income of 200 percent or more of the poverty level.

Source: Preliminary data from Survey of Income and Program Participation, Spring 1979 data.

Section 3. Disability Insurance Program

The disability insurance (DI) program provides monthly cash benefits for workers under age 65 and their dependents. Benefits for the disabled were provided to disabled workers age 50 or older by the 1956 Social Security Amendments; benefits for the dependents of disabled workers were provided by the 1958 Social Security Amendments. Benefits to disabled workers under age 50 were provided by the 1960 amendments.

GENERAL

Many provisions of the disability insurance (DI) program are identical to those of the old age and survivors insurance (OASI) program. For example, all workers who are covered by OASI are also covered by DI. Contributions are made under the same provision of the Internal Revenue Code and are made on the same wage base.

A portion of the OASDI taxes is allocated to the Disability Insurance Trust Fund which is the source of payment for monthly benefits to the disabled worker and their dependents and for administrative expenses of the program.

The most significant differences between the two programs are in the provisions for insured status and in the administration of the program. The DI program involves both Federal and State government. These differences are primarily a result of the different nature of the event insured. The OASI program insures a worker, his dependents and survivors against loss of income due to the worker's retirement or death. The DI program insures against the loss of income due to the worker's physical or mental disability.

BENEFITS

Summary

Monthly cash benefits are paid and computed generally on the same basis as in the OASI program. Benefit amounts are related to the past earnings of the insured worker.

In November 1982 there were 4.0 million DI beneficiaries in current-payment status. The total monthly benefits paid out were $1.33 billion. The following table summarizes various types of beneficiaries of the DI program and average benefit amounts.

TABLE 1.—DISABILITY CASH BENEFITS: NUMBER IN CURRENT PAYMENT STATUS AND AVERAGE BENEFIT AMOUNT IN DECEMBER, AND NUMBER OF BENEFITS AWARDED AND AVERAGE BENEFIT AMOUNT DURING THE YEAR, CALENDAR YEARS 1970, 1975, 1980, 1981 AND 1982

Period, payment status, and number/average	Disabled workers and their dependents		
	Disabled workers	Spouses	Children
1970:			
Current:			
Number (in thousands)	1,493	451	889
Average payment	$131	$43	$39
New awards:			
Number (in thousands)	350	96	317
Average payment	$140	$40	$37
1975:			
Current:			
Number (in thousands)	2,489	453	1,411
Average payment	$226	$67	$62
New awards:			
Number (in thousands)	592	149	515
Average payment	$234	$68	$63
1980:			
Current:			
Number (in thousands)	2,859	462	1,358
Average payment	$371	$110	$110
New awards:			
Number (in thousands)	397	108	385
Average payment	$406	$114	$117
1981:			
Current:			
Number (in thousands)	2,777	428	1,252
Average payment	$413	$122	$123
New awards:			
Number (in thousands)	345	96	346
Average payment	$429	$114	$120
1982:			
Current:			
Number (in thousands)	2,604	366	1,004
Average payment	$441	$129	$128
New awards:			
Number (in thousands)	299	78	265
Average payment	$444	$120	$126

Description of major benefit types

Disabled-worker (disability insurance) benefit.—A monthly benefit payable to a disabled worker under age 65 insured for disability.

Spouses' benefit.—Monthly benefit payable to a wife or divorced wife of a disabled worker under one of the following conditions: (1) wife is aged 62 or older or has 1 or more entitled children of the worker under age 16 in her care; or (2) divorced wife is aged 62 or older and her marriage to worker has lasted 10 years (20 years for benefits paid or applications filed before January 1979) before divorce became final.

Child's benefit.—A monthly benefit payable to an unmarried child or eligible grandchild of a disabled worker.

Disabled child's benefit.—A monthly benefit payable to a disabled person aged 18 or over—a dependent son or daughter or eligible grandson or granddaughter of a retired, deceased, or disabled worker—whose disability began before age 22.

Definition of disability

Generally, disability is defined as an inability to engage in any substantial gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and expected to last for not less than 12 months or to result in death. A person (other than a disabled widow or widower) may be determined to be disabled only if due to this impairment he is unable to engage in any kind of substantial gainful work, considering his age, education, and work experience, which exists in the national economy even though such work does not exist in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

There is a special definition and eligibility requirements for persons who are blind.

A widow (or widower) can be determined to be disabled only if a physical or mental impairment exists of such a level of severity that makes it impossible to perform any gainful work (rather than substantial gainful work).

Waiting period

An initial 5-month waiting period is required before disability insurance benefits will be paid. Benefits are payable for the 6th month. However, benefits may be paid for the 1st full month of disability to a worker who becomes disabled within 60 months (for a disabled widow or widower the period is 84 months) after termination of disability insurance benefits after an earlier period of disability.

Insured status

Workers are *insured for disability* if they are fully insured and, except for persons who are blind or disabled before age 31, have a total of at least 20 quarters of coverage during the 40-quarter period ending with the quarter in which the worker became disabled. Workers who are disabled before age 31 must have total quarters of coverage equal to half the calendar quarters which have elapsed since the worker reached age 21, ending in the quarter in which the worker became disabled. However, a minimum of 6 quarters is required.

BENEFIT COMPUTATION

Disability benefits are computed in the same manner as old age and survivors benefits (the worker is presumed to be age 62 in the month he becomes disabled) except that the number of years of earnings which is excluded when determining the benefit amount is less than 5 for workers under age 47. The number of drop-out years allowed increases with the age of the insured worker at disablement. The amount of the monthly benefit is based on the insured worker's primary insurance amount (PIA). The presumption of age 62 does not result in an actuarial reduction.

The following table lists major disability benefits with the percentage of the insured worker's PIA.

TYPE OF MONTHLY BENEFIT

	Percent of PIA
Disabled worker (any age)	100
Dependents of disabled worker: [1] Wife or husband (age 62), mother, father, children and grandchildren	50
Survivors: [1] Disabled (age 50–59), widows or widowers	50 to 71.5

[1] Subject to maximum family benefit limitation.

Substantial gainful activity

The Secretary of HHS[1] has specific regulatory authority to prescribe the criteria for determining when earnings derived from employment demonstrate an individual's ability to engage in substantial gainful activity (SGA).

The Secretary has published regulations specifying the monetary amounts which indicate substantial gainful activity. At the present time the SGA earnings level is $300 a month (net of impairment-related work expenses).

Trial work period

A 24-month "trial work period" is provided for disabled beneficiaries who attempt to work, during which their benefits will not be terminated because of work. During the second 12 months of this period, benefits are suspended for any month during which the individual is engaged in substantial gainful activity (SGA), but his entitlement to benefits is not terminated. Medicare benefits may be continued for 24 months after the expiration of the trial work period.

If an individual medically recovers to the extent that he no longer meets the definition of disability, benefits are terminated regardless of the "trial work" provision. Only one trial work period is permitted for each period of disability. Beneficiaries who qualified for benefits without a waiting period are not entitled to a trial work period. The Secretary of HHS has provided by regulation that earnings of $75 a month will constitute a month of "trial work."

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[1] Throughout the remainder of this section when Secretary is used, it is the Secretary of Health and Human Services.

Maximum family benefit

The maximum monthly amount of family benefits which is payable on a disabled worker's earnings record for workers who first become entitled after June 1980, is the smaller of 85 percent of the worker's average indexed monthly earnings or 150 percent of the worker's primary insurance amount. However, in no case can the benefit be reduced below 100 percent of the worker's primary insurance amount.

Offset for other public disability benefits

When a disabled worker under age 65 qualifies on the basis of total or partial disability (whether or not permanent) for benefits which are provided by Federal, State and local governments and worker's compensation, the social security benefits payable to him and his family are reduced by the amount, if any, that the total monthly benefits payable under the two or more programs exceed 80 per cent of his average current earnings before he became disabled. Needs-tested benefits, Veterans' Administration disability benefits, and benefits based on public employment covered by social security are not subject to the provision. A worker's average current earnings for this purpose are the larger of (a) the average monthly earnings used for computing his social security benefits, or (b) his average monthly earnings in employment or self-employment covered by social security during the 5 consecutive years of highest covered earnings after 1950, or (c) the average monthly earnings during the calendar year of highest earnings during a period consisting of the year in which disability began and the preceding 5 years without regard to the limitations which specify a maximum amount of earnings creditable for social security benefits. The combined payments after the reduction are never less than the total amount of the DI benefits payable before the reduction. In addition, the social security benefit is increased by the full amount of the cost-of-living increase as applied to the unreduced benefit. Every 3 years the original amount of benefits subject to reduction is redetermined to reflect changes in average wage levels. If increases in the average national wages would result in a higher benefit than that payable based on the original computation, the benefit is increased effective January of the redetermination year.

The offset begins in the month during which concurrent entitlement begins under a Federal or State law.

The offset of the social security disability benefit will not be made if the State worker's compensation law provides for an offset against social security disability benefits. However, this waiver of the offset would only apply where the State program began offsetting on or before February 18, 1981.

DETERMINATION OF DISABILITY

State agency determinations of disability

Disability determinations are made by State agencies who agree to make such determinations and substantially comply with the regulations of the Secretary. The Secretary is required to issue regulations specifying, in such detail as he deems appropriate, performance standards and administrative requirements and procedures to be followed in performing the disability determination function "in order to assure effective and uniform administration of the disability insurance program through the United States." Certain operational areas are cited as "examples" of what the regulations may specify. These include such items as the nature of the administrative structure, the physical location of and relationship among agency staff units, performance criteria and fiscal control procedures.

The law also provides that if the Secretary finds that a State agency is substantially failing to make disability determinations consistent with his regulations, the Secretary shall, not earlier than 180 days following his findings, terminate State administration and make the determinations himself. The law also allows for termination by the State. The State would be required to continue to make disability determinations for not less than 180 days after notifying the Secretary of its intent to terminate. Thereafter, the Secretary would be required to make the determinations.

Determining disability: Application of law and regulations

The adjudication of claims is accomplished on a sequential basis. Whether the individual is currently employed and the amount of earnings are the first factor considered. If the individual is earning the amount that determines ability to engage in "substantial gainful activity" (SGA, now $300 a month) he is determined not disabled. If he is making less than this amount or not working at all, the severity and duration of the impairment are explored. If the severity is determined to be "not severe" the individual is denied right at that point. However, if the impairment is "severe," a determination is made whether the impairment "meets" or "equals" the level of severity spelled out in the regulations[2] and whether it will last for 12 months. If it neither "meets" nor "equals" the specified standard (which will result in an allowance) but meets the 12-month duration rule, a determination is then made whether the claimant is able to carry out his former occupation. If he can he is denied benefits, but if he cannot, the non-medical factors come into play.

At this stage, because of a judicial opinion and subsequent administrative and legislative ratification, the burden of proof switches to the Government to show that the individual can, considering his impairment, age, education, and work experience, engage in some other kind of substantial gainful activity which exists in a national economy. Such work, however, does not have to exist in the immediate area in which he lives and a specific job vacancy does not have to be available to him. Work in the national economy is defined in the law as work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

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[2] The Listing of Impairments contains over 100 examples of medical conditions that would ordinarily prevent an individual from engaging in any gainful activity. Each listing describes a degree of severity such that an individual who is not working and has such an impairment is considered unable to work by reason of the medical impairment. The listing describes specific medically acceptable clinical and laboratory findings and signs which establish the severity of the impairments. An impairment or combination of impairments is said to "equal the listings" if the medical findings for the impairment are at least equivalent in severity and duration to the listed findings of a listed impairment.

In the face of a growing number of nonmedical allowances and a declining number of cases where the medical listings were met, the Social Security Administration in 1976 developed a vocational "grid" designed to reduce the subjectivity and lack of uniformity in applying the vocational factor. The grid regulations were designed to formularize certain worker characteristics such as age, education, and past work experience, in relation to the individual's residual functional capacity (RFC) to perform work-related physical and mental activities. If the claimant has a particular level of residual work capability—characterized by the terms Sedentary, Light, Medium, Heavy and Very Heavy—an automatic finding of "disabled" or "not disabled" is required when applied to various combinations of age, education, and work experience.

The regulations were finally promulgated in February 1979 after some lengthy administrative hearings and consideration. In terms of program experience during the period 1975–1982, there has been a decline at the State agency level in the number of non-medical allowances and a dramatic increase in the percentage of allowed cases which "met" the medical listings. Those percentages are presented in table 2. Moreover, there was an equally dramatic increase in the number of denials on the basis of "impairment not severe" which under the sequential method of determining disability would exclude the consideration of the non-medical factors. Table 3 gives a percentage distribution of the basis for denials at the initial determination of disability at the State agency level for fiscal years 1975 to 1982.

TABLE 2.—BASIS FOR TITLE II ALLOWANCES—NATIONAL FIGURES: INITIAL WORKER DETERMINATION, FISCAL YEARS 1975–82

[In percent]

Fiscal year	Meets listing	Equals listing	Medical and vocational considerations
1975	29.4	43.9	26.7
1976	29.0	45.1	25.9
1977	34.2	41.9	23.9
1978	45.6	31.9	22.5
1979	55.1	22.7	22.1
1980	57.9	16.2	25.9
1981	63.9	12.3	23.8
1982	72.7	8.6	18.7

Source: Office of Research & Statistics, Social Security Administration.

TABLE 3.—BASIS FOR TITLE II DISALLOWANCES AND DENIALS: INITIAL WORK DETERMINATION, FISCAL YEARS 1975–82

[In percent: fiscal years]

	Duration	Slight impairment	Able to perform usual work	Able to perform other work	Engaging in SGA	Failure to cooperate	Failure to appear	Other
1975	19.6	8.4	44.3	18.2	1.0	5.1	1.8	1.6
1976	19.9	10.8	41.9	20.1	.4	4.8	1.8	.3
1977	21.2	24.8	30.0	15.7	.5	4.9	1.8	1.1
1978	21.1	31.8	25.0	14.6	.5	4.1	1.9	1.0
1979	20.0	41.6	21.5	12.5	.4	.9	2.3	.8
1980	20.6	39.0	23.7	12.7		1.9	1.3	.7
1981	18.3	45.2	19.5	11.7		2.0	2.7	.5
1982	17.0	40.3	23.4	14.6		1.4	2.9	.4

Source: Office of Research and Statistics (Division of Disability Studies), Social Security Administration.

A widow or widower may qualify for benefits on the deceased spouse's work record at age 50 and over if he or she has "physical or mental impairments" at "a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity." The regulations of the Secretary state that to qualify for disabled widows' benefits a person must have impairments which "meet the listings" or "are medically equivalent to those for any impairment shown there." Thus, vocational factors are not taken into account in determining the disability of a widow or widower.

Federal review of State determination

The Secretary may, on his own motion, review any determination by a State agency.

The law requires that the following minimum number of allowances (or continuances) of disability shall be reviewed by the Secretary:

	Percent [1]
Decisions made in fiscal year:	
1981	15
1982	35
1983 and thereafter	65

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[1] Minimum percent reviewed.

Periodic review of individuals receiving disability benefits

In case of any individual on the rolls who is determined to be nonpermanently disabled, he shall be re-examined for benefit eligibility at least once every 3 years. Where there is a finding of permanency, the Secretary shall re-examine at such times as he shall determine to be appropriate. These reviews shall be in addition to the administrative procedures existing prior to the 1980 amendments which determined continued eligibility for disability benefits.

Medical evidence

An individual shall not be considered under a disability unless he furnishes such medical and other evidence as the Secretary may require.

Under the law, the Secretary will generally reimburse physicians or hospitals for supplying medical evidence in support of claims for social security disability insurance benefits. The Secretary also pays for medical examinations if this is needed to adjudicate the claim.

Attorney's fees and representation

At the administrative level the Secretary of HHS is authorized to fix a reasonable fee for the services provided before the Social Security Administration for a Social Security applicant by an attorney and to pay such attorney's fee out of the applicant's past-due benefits. The amount that can be paid out of past-due benefits is limited to the smaller of (a) 25 percent of the past-due benefits; (b) the fee fixed by the Secretary; or (c) an amount agreed to by the applicant and the attorney. The Secretary shall certify for payment to the attorney the fee so fixed.

A court which renders a decision favorable to a claimant for social security benefits is permitted to set a reasonable fee for the attorney who represented the claimant before the court. The fee cannot exceed 25 percent for the past-due benefits which result from the court's decision. The Secretary may certify for payments to the attorney, out of the total of the past-due benefits, the amount of the fee set by the court.

VOCATIONAL REHABILITATION

The Social Security Act requires that disabled persons applying for a determination of disability be promptly referred to State vocational rehabilitation agencies for necessary rehabilitation services. The act provided for withholding of benefits for refusal, without good cause, to accept rehabilitation services available under a State plan approved under the Vocational Rehabilitation Act in such amounts as the Secretary shall determine.

Public Law 97-35 eliminated reimbursement from the trust funds to the State vocational rehabilitation agencies for rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity (SGA) for a continuous period of at least 9 months. Such a 9-month period could begin while the individual is under a vocational rehabilitation program and may also coincide with the trial work period or the individual's waiting period for benefits. The services must be performed under a State plan for vocational rehabilitation services under title I of the Rehabilitation Act. In the case of any State which is unwilling to participate or which does not have a plan which meets the requirements of the Vocational Rehabilitation

Act, the Commissioner of Social Security may provide such services by agreement or contract with other public or private agencies, organizations, institutions or individuals. The determination that the VR services contributed to the successful return of the individual to SGA and the determination of the amount of costs to be reimbursed shall be made by the Commissioner of Social Security in accordance with criteria formulated by him. Payments under this provision shall be made in advance or by way of reimbursement, with necessary adjustments for overpayments or underpayments.

DISABILITY CLAIMS AND APPEALS STRUCTURE

The social security appeals and case review process is a complex administrative structure which is inextricably linked with the disability determination process. Since about 95 percent of the hearing requests involve disability claims (both social security and SSI), the process described will be for that type of claim. The application for disability benefits is made at the Federal social security district office where the claimant is interviewed and the sources of medical evidence are recorded. After determining whether the applicant meets the insured status requirements, the case is then sent to the State agency which, operating as an agent of the Social Security Administration, makes the initial determination of disability. If a claimant or terminated beneficiary is dissatisfied with an initial denial or termination of disability benefits by the State agency, he can request a reconsideration within 60 days of notice of denial. The reconsideration is also carried out by the State agency but by personnel other than those who made the initial determination. If upon reconsideration the claimant is again denied benefits he will be given a hearing before an administrative law judge (ALJ) providing he files a request within 60 days of notice of denial. If the claim is denied by the ALJ, the claimant has 60 days to request review by the Appeals Council. The Appeals Council may also, on its own motion, review a decision within 90 days of the ALJ's decision. The Appeals Council may review, affirm, modify or reverse the decision of the ALJ, or it may remand it to the ALJ for further development. The claimant is notified in writing of the final action of the Appeals Council, and is informed of his right to obtain further review by commencing a civil action within 60 days in a United States district court.

Under prior law, benefits of terminated DI beneficiaries were continued for 2 months after the month in which his eligibility was determined to have ceased. The individual could have requested a reconsideration of the denial decision but he was not eligible for benefits during the appeals process. If the eventual decision was in favor of the individual, retroactive payment was made.

With the enactment of Public Law 97-455, an individual can receive benefits through the appeals process when a denial determination has been made before October 1, 1983. All such benefit payments must cease by June 1984. If the termination decision is upheld, the beneficiary must repay these benefits.

The magnitude and complexity of the disability determination and appeals process is shown in table 4. Of the 859,894 initial disability determination decisions by the State agency in fiscal year 1982, some 28 percent were allowed.

Actually the process is more complex than an initial glance at table 4 would indicate. For example, in fiscal year 1982, 71,450 initial allowances were selected for a Federal preeffectuation review after which 6,502 cases were returned to the State agencies. Ultimately 4,155 of these initial decisions were reversed. Thus, the Federal review process examined approximately 30 percent of initial allowances. A similar process also takes place for the continuing disability allowances and the reconsiderations which result in an allowance.

Table 5 presents information for fiscal years 1979 to 1982 of the number of cases which are reviewed and reversed at the administrative law judge level. Approximately 52.6 percent of initial denials were reversed in 1982.

TABLE 4.—DISABILITY DETERMINATIONS AND APPEALS, FISCAL YEAR 1982

Title II
Disability Determinations
and appeals[1] - 1982

889,894
Initial Disability
Determinations
State Agency District Offices[2]

28% Allowed
72% Denied

376,767
Reconsiderations
State Agency[4]

Allowed 11%
Denied 89%

401,182
Continuing Disability
Investigations[3]

55% Allowed (continuations)
45% Denied (cessations)

234,144
Administrative
Law Judge
Decisions

55% Allowed
45% Denied

50,511
Appeals Court Decisions

Remand to ALJ	8%
Reversed	4%
Affirmed	88%

7,883
US District Court
Decisions

39% Remand to Appeals Council
12% Allowed
49% Denied

Total Allowance 646,537

Percent of Total Allowances

Initials		73.0
Initial applications	39.0	
CDI's	34.0	
Reconsiderations		7.0
ALJs		20.0
TOTAL		100.0

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[1] Includes concurrent title II and Title XVI. Rates of appeals are based on total decisions made and not on receipts during fiscal year.

[2] In FY'82 71,450 initial allowances were selected for preeffectuation review after which 6,502 cases were returned to the state agencies either because the finding of disability was erroneous or because the finding was inadequately documented. Ultimately, 4,155 initial allowances were changed to denials.

[3] In FY'82 86,688 continuances were selected for preeffectuation review; 2,203 cases were returned to the state agencies resulting in 1,725 continuances being changed to a cessation or termination.

[4] In FY'82, 24,686 reconsideration reversals were selected for preeffectuation review; 2,203 cases were returned to the state agencies and 1,414 cases were changed to a denial.

TABLE 5.—ADMINISTRATIVE LAW JUDGE REVERSAL RATES—DISABILITY INSURANCE INITIAL DENIALS AND TERMINATIONS, FISCAL YEARS 1979–82

	Dismissed	Affirmed	Reversed	Total	Percent reversed
Fiscal year 1979:					
Initial denials	6,332	31,485	48,934	86,751	56.4
Terminations	1,401	4,078	8,052	13,531	59.5
Fiscal year 1980:					
Initial denials	7,093	31,703	56,733	95,529	59.4
Terminations	1,431	4,197	9,909	15,537	63.8
Fiscal year 1981:					
Initial denials	15,137	59,929	89,124	164,190	54.3
Terminations	2,622	6,944	16,679	26,245	63.5
Fiscal year 1982:					
Initial denials	15,389	67,411	91,746	174,546	52.6
Terminations	4,661	17,484	37,258	59,403	62.7

Source: Office of Hearings and Appeals, Social Security Administration.

Table 6 presents information on the number of continuing disability investigations which have taken place from fiscal year 1977 to 1982. From 1977 to 1981 the number of cases reviewed ranged from 2.9 percent to 6.0 percent of the total caseload. In fiscal year 1982, the percentage of cases reviewed climbed to 15.2 percent. The percent of cases which were terminated has held fairly constant at around 45 percent over this time period. This implies that the number of cases terminated has increased substantially. In fiscal year 1982, 179,857 disabled workers were terminated as compared with 80,956 1 year earlier. These terminated cases have the ability to appeal and so these numbers should not be construed as the ultimate outcome of the continuing disability investigation process.

TABLE 6.—CONTINUING DISABILITY INVESTIGATIONS (CDI) INITIAL DECISIONS: TITLE II DISABLED WORKERS,[1] CESSATIONS AND CONTINUATIONS, FISCAL YEARS 1977–82

	Cessations		Continuations		Total cases		
	Number	Percent	Number	Percent	Cessations and continuations	Total disabled workers [1]	Percent reviewed
1977	41,475	38.7	65,745	61.3	107,220	2,799,846	3.8
1978	38,847	46.4	44,804	53.6	83,651	2,874,756	2.9
1979	45,216	48.1	48,868	51.9	94,084	2,874,719	3.3
1980	44,273	46.8	50,227	53.2	94,550	2,860,348	3.3
1981	80,956	47.9	87,966	52.1	168,922	2,804,617	6.0
1982	179,857	44.8	221,325	55.2	401,182	2,640,126	15.2

[1] In force at end of fiscal year.

Source: Office of Disability Programs, Social Security Administration.

RECENT EXPERIENCE IN THE DISABILITY PROGRAM

In the past several years, there has been virtually no growth or even a slight decline in the number of beneficiaries (from 4.868 million in 1978 to 3.974 million in late 1982). The number of awards has declined from 592,049 in 1975 to approximately 298,531 in 1982. The incidence of disability (number of awards per 1,000 insured workers) has fallen from an all-time high of 7.1 in 1975 to 3.0 in 1982. The latter is the lowest incidence rate in the history of the program. (See table 7.)

TABLE 7.—DISABLED WORKERS' APPLICATIONS, AWARDS AND RATIO OF AWARDS TO APPLICATIONS AND AWARDS PER 1,000 INSURED WORKERS FOR 1960, 1965, 1970 TO 1982

	Number of applications (in thousands)	Total awards	Total awards divided by total applications	Awards per 1,000 insured workers (percent)
1960	418.6	207,805	50	4.5
1965	532.9	253,499	48	4.7
1970	868.2	350,384	40	4.8
1971	924.4	415,897	45	5.6
1972	947.8	455,438	48	6.0
1973	1,066.9	491,616	46	6.3
1974	1,330.2	535,977	40	6.7
1975	1,267.2	592,049	47	7.1
1976	1,232.2	551,460	45	6.5
1977	1,235.2	568,874	46	6.6
1978	1,184.7	464,415	39	5.2
1979	1,222.6	408,680	33	[2] 4.5
1980	1,280.0	389,152	28	[2] 4.2
1981	1,234.8	345,254	28	[2] 3.6
1982	[1] 1,120.0	298,531	27	[2] 3.0

[1] Preliminary annual number based on 11 months of actual data.

[2] Preliminary estimate.

Source: Office of Research and Statistics, Social Security Administration.

The other element of disability subject to some control—termination for recovery—stood at 42,901 cases in 1971. However, due to budgetary and workload concerns, it averaged less than 40,000 cases over the next 5 years although the number of disabled workers had increased from 1.6 million to 2.6 million. Since 1977 recoveries have increased markedly and stood at 72,935 in 1979 (see table 8). The recovery rate stood at about 16 per thousand during the period 1974-76 but had risen to 25 per thousand by 1979.

TABLE 8.—NUMBER OF TERMINATIONS AND GROSS TERMINATION RATES FOR DISABLED WORKER BENEFICIARIES FOR CALENDAR YEARS 1965–80

	Average number in force (in thousands)	Number of terminations		Gross termination rates (per thousand)		
		Death	Recovery	Death	Recovery	Death and recovery
1965	948	79,823	18,441	84.2	19.4	103.6
1966	1,053	84,399	23,111	80.1	21.9	102.0
1967	1,159	92,084	37,151	79.5	32.1	111.6
1968	1,259	99,924	37,723	79.4	30.0	109.4
1969	1,360	108,762	38,108	79.9	28.0	107.9
1970	1,460	105,799	40,802	72.5	27.9	100.4
1971	1,586	109,883	42,981	69.3	27.1	96.4
1972	1,754	108,663	39,393	62.0	22.5	84.5
1973	1,937	125,582	36,696	64.8	18.9	83.7
1974	2,129	135,083	[1] 38,000	63.4	[1] 17.8	[1] 81.2
1975	2,391	139,809	[1] 39,000	58.5	[1] 16.3	[1] 74.8
1976	2,615	137,141	[1] 40,000	52.5	[1] 15.3	[1] 67.8
1977	2,781	139,418	[1] 60,000	50.1	[1] 21.6	[1] 71.7
1978	2,882	140,620	64,144	48.8	22.3	71.1
1979	2,893	143,023	72,325	49.4	25.0	74.4
1980	2,876	142,454	61,762	49.5	21.5	71.0

[1] From September 1974 through June 1977, procedures for identifying recovery terminations were defective. Numbers of recovery terminations have been estimated for years 1974 through 1977 on the basis of data from other sources.

Source: Office of the Actuary, Social Security Administration.

CHARACTERISTICS OF DI BENEFICIARIES

TABLE 9.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY AGE AND SEX, SELECTED YEARS 1970–78, COMPARED WITH ADULT U.S. POPULATION

Characteristics	Year allowed benefits				Adult U.S. population [1]
	1970	1973	1975	1978	
Total percent	100.0	100.0	100.0	100.0	100.0
Age:					
Under 35	9.0	8.0	11.0	13.0	43.0
35 to 44	11.0	9.0	10.0	12.1	20.0
45 to 54	26.0	26.0	26.0	28.3	21.0
55 to 59	24.0	26.0	23.0	25.5	9.0
60 and over	30.0	31.0	30.0	21.2	8.0
Median age (years)	56.0	56.3	55.6	53.1	38.6
Sex:					
Male	74	71	68	70	48
Female	26	29	32	30	52

[1] Derived from 1970 Census; based on population aged 18–64.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 10.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY EDUCATION AND OCCUPATION, SELECTED YEARS 1970–78, COMPARED WITH ADULT U.S. POPULATION

Education and occupation	Year allowed benefits				Adult U.S. population [1]
	1970	1973	1975	1978	
Total percent	100	100	100	100	100
Education (years of school completed):					
No schooling	2	1	1	1	2
Elementary school (1 to 8)	44	40	37	31	27
High school	46	50	52	54	51
9 to 11	23	23	24	NA	19
12	23	26	28	NA	31
Some college	9	10	10	12	21
Unknown	0	0	0	2	2
Occupation:					
Professional, technical and managerial	12	13	18	11	24
Clerical and sales	15	15	14	12	25
Service	18	17	17	12	12
Farming	6	5	4	3	3
Transportation, packaging and handling, mineral extraction	14	13	12	10	18
Machine trades	11	11	10	8	18
Bench work	6	7	7	5	
Processing	3	4	3	3	
Structural work	15	15	15	32	
Unknown	0	0	0	4	

[1] Derived from 1970 Census. Figures for education based on persons aged 25 and over. Figures for occupation based on employed population aged 18–64.

Source: Office of Research and Statistics, Social Security Administration.

NA—Not available.

TABLE 11.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY DISABLING CONDITION AND MOBILITY, SELECTED YEARS 1970–78

Disabling condition and mobility	Year allowed benefits			
	1970	1973	1975	1978
Total percent	100	100	100	100
Disabling condition:				
Infective and parasitic diseases	3	2	1	1
Neoplasms	10	10	10	12
Allergic, endocrine system, metabolic and nutritional diseases	4	4	3	4
Mental, psychoneurotic and personality disorders	11	10	11	12
Diseases of the nervous system and sense organs	6	6	7	6
Circulatory system	31	32	32	29
Respiratory system	7	7	7	6
Digestive system	3	3	3	3
Skeletal musculo	15	17	17	19
Accidents, poisonings and violence	8	6	6	6
Other	2	3	3	3
Mobility:				
Institutionalized	6	3	2	2
Hospitalized	6	4	3	2
Housebound	6	3	2	1
Ambulatory outside house:				
With help	16	16	13	10
By self	66	73	77	82
Other/unknown	0	0	0	2

Source: Office of Research and Statistics, Social Security Administration.

Section 4. Medicare

Medicare, authorized under title XVIII of the Social Security Act, is a nationwide health insurance program for the aged and certain disabled persons. It consists of two parts: the hospital insurance (part A) program and the supplementary medical insurance (part B) program.

ELIGIBILITY

Most Americans age 65 or older are automatically entitled to protection under part A. Persons age 65 or older who are not "fully insured" (i.e., not eligible for monthly social security or railroad retirement cash benefits) may obtain coverage, providing they pay the full actuarial cost of such coverage. The monthly premium, as of July 1, 1982, is $113. It rises to $132 on July 1, 1983. Also eligible, after a 2-year waiting period, are people under age 65 who are receiving monthly social security benefits on the basis of disability and disabled railroad retirement system annuitants. (Dependents of the disabled are not eligible.) Most people who need a kidney transplant or renal dialysis because of chronic kidney disease are, under certain circumstances, entitled to benefits under part A regardless of age.

Part B of medicare is voluntary. All persons age 65 or older (whether "insured" or not) may elect to enroll in the supplementary medical insurance program by paying the monthly premium. The premium, as of July 1, 1982, is $12.20. It is scheduled to rise to $13.50 per month beginning July 1, 1983.

NUMBER OF BENEFICIARIES

In fiscal year 1983, approximately 26.2 million aged and 3.0 million disabled will have protection under part A. Of those, it is estimated that 6.5 million aged and 0.8 million disabled will actually receive reimbursed services. In fiscal year 1983, 26.0 million aged and 2.7 million disabled will be enrolled in part B. Over 17.7 million of the aged and 1.8 million of the disabled will receive part B reimbursed services.

TABLE 1.—NUMBER OF AGED AND DISABLED ELIGIBLE ENROLLEES AND BENEFICIARIES AND AVERAGE AND TOTAL MEDICARE BENEFIT PAYMENTS

[Persons in thousands]

	1980 (actual)	1981 (actual)	1982 (actual)	1983 (estimate)	1984 (estimate)
Part A:					
Persons with hospital insurance protection (monthly average):					
Aged	24,471	24,962	25,664	26,226	26,761
Disabled	2,977	3,007	2,978	2,959	2,921
Beneficiaries receiving reimbursed services:					
Aged	5,860	6,450	6,340	6,530	6,740
Disabled	800	805	780	790	790
Average annual benefit per person enrolled: [1]					
Aged	$854	$1,020	$1,182	$1,306	$1,482
Disabled	970	1,143	1,344	1,512	1,738
Total benefit payments (in millions):					
Aged	20,906	25,471	30,343	34,251	39,666
Disabled	2,887	3,438	4,001	4,474	5,078
Part B:					
Beneficiaries:					
Persons enrolled (average):					
Aged	24,410	24,946	25,488	26,025	26,577
Disabled	2,703	2,745	2,735	2,717	2,688
Beneficiaries receiving reimbursed services:					
Aged	15,525	16,764	17,281	17,723	18,418
Disabled	1,737	1,787	1,803	1,825	1,843
Average annual benefit per person enrolled:					
Aged	$346	$412	$482	$551	$641
Disabled	630	752	920	1,061	1,219
Total benefit payments (in millions):					
Aged	8,441	10,281	12,290	14,352	17,041
Disabled	1,703	2,064	2,516	2,882	3,276

[1] Does not include administrative cost.

Source: Budget appendices—fiscal year 1982–84.

COVERAGE

Most individuals establish entitlement to part A on the basis of work in employment covered by either the social security or railroad retirement systems. Certain types of employment are excluded from social security (including part A hospital insurance) taxation. Prior to January 1, 1983, the exclusions included employment with the Federal Government which is covered under a staff retirement system established by law.

The Tax Equity and Fiscal Responsibility Act of 1982 extends the hospital insurance tax to Federal employment effective with respect to wages paid on or after January 1, 1983. For calendar year 1983, the tax is 1.3 percent of wages up to $35,700. Beginning January 1, 1983, Federal employment will be used to determine eligibility for protection under medicare part A. A transitional provision allows individuals who are in the employ of the Federal Government both before and during January 1, 1983 to have their prior Federal employment considered as employment for purposes of providing medicare coverage.

BENEFITS

Part A of medicare will pay "reasonable costs" for:

1. Inpatient hospital care.—All reasonable expenses for the first 60 days minus a deductible ($304 in calendar year 1983) in each benefit period. For days 61–90, a coinsurance amount ($76 in calendar year 1983) is deducted. When more than 90 days are required in a benefit period, a patient may elect to draw upon a 60 day lifetime reserve. A coinsurance amount ($152 in calendar year 1983) is also deducted for each reserve day.

2. Skilled nursing facility care.—Up to 100 days (following hospitalization) in a skilled nursing facility for persons in need of continued skilled nursing care and/or skilled rehabilitation services on a daily basis. After the first 20 days, there is a daily coinsurance amount deducted ($38 in calendar year 1983).

3. Home health care.—An unlimited number of medically necessary home health visits by nurses, therapists, and other health workers for a homebound individual.

Part A of medicare will also pay for, on a reasonable cost or other basis:

Hospice care.—For the period November 1, 1983 to October 1, 1986, medicare coverage for hospice care services provided to terminally ill medicare beneficiaries with a life expectancy of 6 months or less.

Part B of medicare pays 80 percent of the reasonable charges (or of reasonable cost) for covered services in excess of an annual deductible ($75). Services covered include the following:

1. Doctor's services.—Including surgery, consultation, and home, office and institutional visits. Certain limitations apply for services rendered by dentists, podiatrists and chiropractors and for the treatment of mental illness.

2. Other medical and health services.—Laboratory and other diagnostic tests, X-ray and other radiation therapy, outpatient services at a hospital, rural health clinic services, home dialysis supplies and equipment, artificial devices (other than dental), physical and speech therapy, and ambulance services.

3. Home health services.—Unlimited number of medically necessary home health visits. The 20 percent coinsurance and $75 deductible do not apply for such benefits.

TABLE 2.—BENEFIT PAYMENTS BY SERVICE UNDER PART A AND PART B, FISCAL YEARS 1981 AND 1984

[Dollars in millions]

	1980 payments (actual)		1984 payments (estimate)	
	Amount	Percent	Amount	Percent
Part A:				
For inpatient hospital services	$27,837	67.5	$42,381	65.1
For skilled nursing facility services	404	1.0	521	0.8
For home health services	668	1.6	1,712	2.6
For hospice services			130	0.2
Total benefit payments	28,909	70.1	44,744	68.7
Part B:				
For physician services	8,780	21.3	15,322	23.6
For radiology and pathology services	650	1.6	533	0.8
For outpatient services	2,347	5.7	3,712	5.7
For other medical and health services	568	1.4	750	1.2
Total benefit payments	12,345	29.9	20,317	31.3
Total	41,254	100.0	65,061	100.0

Source: Budget appendices—fiscal year 1983–84.

END STAGE RENAL DISEASE PROGRAM

In 1972, Public Law 92–603 was signed extending medicare coverage for certain individuals with chronic renal failure. The medicare program covers individuals, under age 65, who suffer from end stage renal disease, if they are (1) fully insured for old-age and survivor insurance benefits, or (2) are entitled to either monthly social security benefits, or (3) are spouses or dependents of individuals described in (2). Such persons must be medically determined to be suffering from end stage renal disease and must file an application for benefits. Approximately 7 percent of the population suffering from end stage renal disease (ESRD) does not meet any of these requirements and thus are not covered for medicare renal benefits.

Benefits for qualified end stage renal disease beneficiaries include all part A (hospital insurance) and part B (supplemental medical insurance) medical items and services. ESRD beneficiaries are automatically enrolled in the part B portion of medicare and must pay the monthly premium for such protection.

Total projected program expenditures for renal dialysis beneficiaries for fiscal year 1983 amount to $2 billion. In fiscal year 1983 there are projected to be 63,442 ESRD beneficiaries. Of this total, 11,420 are on home dialysis of which 52 percent are on continuous ambulatory peritoneal dialysis, 41 percent are on home hemodialysis, and 7 percent are on peritoneal dialysis.

Outpatient maintenance dialysis can be provided in either a hospital-based setting or independent (often called freestanding) setting. Reimbursement rates for outpatient dialysis have remained unchanged since 1974. Both independent and hospital-based facilities have been subject to an "interim" national screen, or ceiling, of $138 or $150 per treatment, depending on whether billings for physician supervisory and patient care services are included in the facilities' rate.

In 1981, the Congress passed Public Law 97-35, which required the Secretary to establish dual, or separately calculated, prospective rates for hospital-based and freestanding dialysis facilities. Congress expressed a preference that these formulas be composite in nature; that is, they take into account the proportions of hospital-based and independent facility patients dializing at home and the relative costs of providing dialysis at home and in the facility setting.

Proposed regulations implementing this provision were published in the Federal Register of February 12, 1982. In the proposal, a composite rate was established which would allow an average of $132 for hospital-based, and $128 for independent units, per treatment. If, as is generally believed, home dialysis is less costly than in-facility dialysis, facilities are expected under this arrangement to send more of these patients home. At time of publication, final regulations have not been promulgated.

ADMINISTRATION

Responsibility for administration of the medicare program has been delegated by the Secretary of Health and Human Services to the Administrator of the Health Care Financing Administration (HCFA). Much of the day-to-day operational work of the program is performed by "intermediaries" and "carriers" which have responsibility for reviewing claims for benefits and making payments.

In general, hospitals and other providers that are paid on a reasonable cost basis can nominate, subject to HCFA's approval, a national, State, or other public or private agency to serve as a fiscal intermediary between themselves and the Federal Government. Presently, there are eight organizations serving as medicare intermediaries. One intermediary, Blue Cross, is made up of 56 individual Blue Cross plans.

Medicare payments that are based on reasonable charges are made by insurance organizations, referred to as carriers, that have been selected by the Secretary to serve specified geographical areas. There are 40 carriers, including 27 Blue Shield plans.

REIMBURSEMENT POLICIES AND PROCEDURES

Medicare benefits are paid on the basis of "reasonable cost" in the case of hospitals and other institutional providers and "reasonable charges" in the case of physicians and other noninstitutional suppliers of services. The number of participating institutions and organizations is shown in table 3.

Under part A, hospitals and other institutional providers of services submit bills on behalf of the beneficiary and agree to accept the program's reasonable cost reimbursement as payment in full, except for deductible and coinsurance amounts. In contrast, physicians and other suppliers of services under part B may choose on a bill-by-bill basis whether or not to accept an "assignment" under the terms of which they will be bound by the program's reimbursement policies.

For a more complete description of how medicare reimburses hospitals and doctors, see Appendix D.

TABLE 3.—PARTICIPATING INSTITUTIONS AND ORGANIZATIONS (JULY 1, 1982)

Hospitals	6,742
Short stay	6,070
Long stay	672
Skilled nursing facilities	5,408
Home health agencies	3,415
Independent laboratories	3,581
Outpatient physical therapy providers	603
Portable X-ray suppliers	251
Rural health clinics	419
Facilities providing services to renal disease beneficiaries (January 1983)	1,218
Hospitals certified as both renal transplant and renal dialysis centers	149
Hospitals certified as renal transplant centers	8
Hospital dialysis facilities	113
Non-hospital renal dialysis facilities	529
Dialysis centers	380
Inpatient care	39

HOSPITAL AND SKILLED NURSING FACILITY BEDS (JULY 1981)

Hospitals	1,150,479
Short stay	1,012,490
Long stay	137,989
Skilled nursing facilities	488,495

Source: Health Care Financing Administration.

UTILIZATION AND QUALITY CONTROL PEER REVIEW PROGRAM

The Social Security Amendments of 1972 provided for the establishment of Professional Standards Review Organizations (PSRO's) throughout the country which were charged with the comprehensive and on-going review of services provided under medicare, medicaid, and the maternal and child health programs. PSRO's determine, for purposes of reimbursement under these programs, whether services are: (1) medically necessary, (2) provided in accordance with professional standards, and (3) in the case of institutional services, rendered in the appropriate setting.

PSRO's were formed by organizations representing substantial numbers of practicing physicians in geographic areas nationwide. In 1980, there were 47 fully designated and 140 conditionally designated PSRO's in operation.

The major focus of the PSRO program has been on the review of inpatient hospital services. While PSRO's are also charged with review responsibilities in other health care settings, budget limitations have limited review outside the hospital setting.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) required the Secretary of Health and Human Services to assess the relative performance of PSRO's and authorized the Secretary to terminate up to one-third of all PSRO's prior to October 1, 1982, based on such assessment. Further, under the law, PSRO's are no longer reimbursed directly for review of medicaid services. A State, at its option, may contract with a PSRO for medicaid review with the Federal matching funds of 75 percent.

The Tax Equity and Fiscal Responsibility Act of 1982 repeals the existing part B of title XI of the Social Security Act (relating to PSRO's) and establishes a new program. Under this new program, a peer review organization is defined as an entity which is either composed of a substantial number of the licensed doctors of medicine and osteopathy practicing in the area, or has available to it sufficient numbers of such physicians so that adequate peer review of various medical services can be assured.

The Secretary is required to consolidate existing PSRO geographic areas, with each State generally designated as a single area. The Secretary is required to enter into a contract with a peer review organization for each geographic area. Priority consideration must be given to physician-sponsored organizations; payor organizations are excluded from consideration during the first 12 months that contract applications are considered. Contracts with provider or provider-affiliated organizations are prohibited though subcontracts with such entities are permitted. The law provides that contracts are for an initial period of 2 years, renewable biennially.

These entities may review, subject to the provisions of the contracts, the professional activities of physicians, other practitioners and institutional and noninstitutional providers in rendering services to medicare beneficiaries. The review is to focus on the necessity and reasonableness of care, quality of care, and the appropriateness of the setting. The determinations of the peer review organizations would ordinarily be binding for purposes of determining whether benefits should be paid.

States are authorized to contract with review organizations for medicaid review and 75 percent Federal matching is authorized for such purpose.

The Secretary is prohibited from terminating or failing to review PSRO contracts in effect on September 3, 1982, until he enters into a contract with a peer review organization in the area. Renewal contracts with PSROs may be for periods of less than 12 months.

For a more detailed discussion of the changes made by the Tax Equity and Fiscal Responsibility Act of 1982, see Appendix H.

FINANCING

The hospital insurance part of the program is financed primarily through social security payroll tax contributions paid by employees, employers and the self-employed. The payroll tax rate for calendar year 1983 is 1.3 percent on wages up to $35,700 per employee. The contribution rate for the employer is the same. For the uninsured who *elect* to enroll in part A, the full cost of the coverage is reflected in their monthly premiums ($113 as of July 1, 1982 rising to $132 on July 1, 1983).

Part B, which is voluntary, is financed from premiums paid by the aged, disabled, and chronic renal disease enrollees and from Federal funds. The premium rate is reviewed annually and is changed each July 1. Increases are to reflect the expected increases in the operating costs of the program. Initially, the premium was set at a level equal to one-half of the total benefit and administrative costs incurred for the aged. However, beginning July 1, 1973, the premium rate could not be increased by a rate greater than social security benefits were last increased as a result of a general cash benefit increase. On July 1, 1983 and July 1, 1984, the provision which limits the premium increase to the most recent increase in social security cash benefits will be suspended, and the premium will be permitted to rise to a level which will result in monthly premiums which are, in the aggregate, equal to 25 percent of program costs for aged beneficiaries. The monthly premium for the 12 months beginning July 1982 is $12.20. Beginning July 1, 1983, the premium is scheduled to rise to $13.50.

While premiums paid by the enrollees finance one-quarter of the cost of the part B program, the remaining cost is financed from Federal general revenues.

The status of the HI and SMI trust funds are shown in tables 4 and 5. Table 6 shows the actual and projected percentage increase in medicare outlays from fiscal 1977 to fiscal 1984.

See section 5 for a more complete description of the tax rates under part A and the short and long run financial status of the social security trust funds.

TABLE 4.—PROJECTIONS FOR THE HOSPITAL INSURANCE TRUST FUND OUTLAYS, INCOME, AND BALANCE FOR FISCAL YEARS UNDER PRELIMINARY CBO AND REAGAN ECONOMIC ASSUMPTIONS, PRESENT LAW

[In billions]

	1981 (actual)	1982 (actual)	1983	1984	1985	1986	1987	1988
Congressional Budget Office:								
Outlays	29.3	34.9	38.9	44.3	49.7	57.3	66.5	74.8
Income	32.9	37.6	27.9	44.3	48.6	55.1	59.3	62.9
Year end balance	18.1	20.8	9.8	9.7	8.6	6.4	−.8	−12.7
Start of year balance as percentage of outlays	50.0	51.9	53.5	22.1	19.6	15.1	9.7	−1.0
Reagan administration:								
Outlays	29.3	34.9	39.3	45.3	51.9	57.1	64.3	72.3
Income	32.9	37.6	28.0	44.1	48.3	55.1	60.4	65.3
Year end balance	18.1	20.8	9.6	8.3	4.8	2.8	−1.1	−8.2
Start of year balance as percentage of outlays	50.0	51.9	53.0	21.1	16.0	8.4	4.4	−1.5

[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances and certain general fund transfers. Income in fiscal year 1983 reflects actual interfund transfers as authorized under

Public Law 97-123. In order to better illustrate the operations of the trust funds under extended interfund or other types of borrowing or under tax rate reallocation, estimated interest payments owed by a trust fund when it shows a deficit are included as negative values in the income estimates of that trust fund. The projections from CBO assume that the hospital reimbursement provisions of TEFRA are not extended. The administration projections assume they are extended.

Source: Congressional Budget Office and Office of the Actuary, SSA.

TABLE 5.—PROJECTIONS FOR THE SUPPLEMENTAL MEDICAL INSURANCE TRUST FUND, BUDGET AUTHORITY, AND OUTLAYS, FISCAL YEARS, UNDER PRELIMINARY CBO AND REAGAN ECONOMIC ASSUMPTIONS, PRESENT LAW

[In billions]

	1981 (actual)	1982	1983	1984	1985	1986	1987	1988
Congressional Budget Office:								
Income [1]	12.5	17.6	19.2	23.0	25.5	29.4	34.0	39.3
Outlays	13.2	15.6	18.2	21.1	24.3	27.9	32.3	37.3
Year end balance	3.7	5.8	6.8	8.7	10.0	11.5	13.2	15.1
Reagan administration:								
Income [1]	12.5	17.6	19.1	21.9	24.9	28.5	32.5	36.9
Outlays	13.2	15.6	18.1	21.2	24.6	28.3	32.2	36.7
Year end balance	3.7	5.7	6.7	7.4	7.7	7.9	8.2	8.4

[1] Income includes premium payments, general revenue financing, and interest.

Source: Congressional Budget Office, and office of the Actuary, SSA.

TABLE 6.—MEDICARE OUTLAYS, FISCAL YEARS 1977-84

Fiscal year	Part A		Part B		Total	
	Dollars (in millions)	Percent increase (over prior year)	Dollars (in millions)	Percent increase (over prior year)	Dollars (in millions)	Percent increase (over prior year)
1977	$15,207		$6,342		$21,549	
1978	17,862	17.5	7,350	15.9	25,211	17.0
1979	20,343	13.9	8,805	19.8	29,148	15.6
1980	24,287	19.4	10,746	22.1	35,034	20.2
1981	29,248	20.4	13,240	23.2	42,488	21.3
1982	34,864	19.2	15,559	17.5	50,423	18.7
1983 (est)	38,932	11.7	18,169	16.8	57,101	13.2
1984 (est)	44,273	13.7	21,094	16.1	65,367	14.5

Sources: President's Budget Appendices, fiscal year 1979-84, and CBO projections for 1983 and 1984 under current law.

APPENDIX C. NATIONAL HEALTH CARE EXPENDITURES AND EXPENDITURES FOR HEALTH CARE OF THE ELDERLY

National Health Expenditures

During 1965 (the year prior to the beginning of the medicare and medicaid programs), national health expenditures were $41.7 billion; by 1981, they were almost seven times that amount. Hospital care expenditures are the largest component of national health expenditures, representing approximately 41 percent of total national health spending in 1981. In terms of per capita spending, $504 was spent for hospital care per capita in 1981 compared to $433 in 1980, an increase of 16.4 percent. (See Table 1.)

Of the various sources of payment for personal health care expenditures in 1981, 26.2 percent ($66.8 billion) was paid for by private health insurance, 17.1 percent ($43.5 billion) was paid by medicare, 12.2 percent ($31.1 billion) was paid from other Federal sources (including medicaid), 11.1 percent ($28.3 billion) was paid from State and local sources, and 32.0 percent ($81.7 billion) was paid by direct (out-of-pocket) payments by individuals. The percentage paid for by medicare has increased since 1970, when medicare paid 10.9 percent of personal health care expenditures.

TABLE 1.—NATIONAL HEALTH EXPENDITURES: AGGREGATE AND PER CAPITA AMOUNTS FOR SELECTED CALENDAR YEARS 1965, 1970, 1975, 1980, AND 1981

	1981	1980	1975	1970	1965
	Amount (billions)				
Total	$286.6	$249.0	$132.7	$74.7	$41.7
Percent of GNP	9.8	9.5	8.6	7.5	6.0
Health services and supplies	$273.5	$237.1	$124.3	$69.3	$38.2
Personal health care	255.0	219.4	116.8	65.1	35.8
Hospital care	118.0	100.4	52.1	27.8	13.9
Physicians' services	54.8	46.8	24.9	14.3	8.5
Dentists' services	17.3	15.4	8.2	4.7	2.8
Other professional services	6.4	5.6	2.6	1.6	1.0
Drugs and medical sundries	21.4	19.3	11.9	8.0	5.2
Eyeglasses and appliances	5.7	5.1	3.2	1.9	1.2
Nursing home care	24.2	20.6	10.1	4.7	2.1
Other health services	7.2	6.0	3.7	2.1	1.1
Prepayment and administration	11.2	10.7	4.4	2.7	1.6
Government public health activities	7.3	7.0	3.2	1.4	.8

TABLE 1.—NATIONAL HEALTH EXPENDITURES: AGGREGATE AND PER CAPITA AMOUNTS FOR SELECTED CALENDAR YEARS 1965, 1970, 1975, 1980, AND 1981—Continued

	1981	1980	1975	1970	1965
Research and construction of medical facilities	13.1	11.8	8.4	5.4	3.5
Research	5.7	5.3	3.3	2.0	1.5
Construction	7.5	6.5	5.1	3.4	2.0
	Dollar amount per capita				
Total	$1,225.00	$1075.00	$603.57	$357.90	$210.89
Health services and supplies	1,169.00	1024.00	565.37	332.02	193.14
Personal health care	1,090.00	947.00	530.97	312.29	180.73
Hospital care	504.00	433.00	236.97	133.05	70.13
Physicians' services	234.00	202.00	113.38	68.74	42.82
Dentists' services	74.00	67.00	37.46	22.77	14.19
Other professional services	27.00	24.00	11.91	7.64	5.22
Drugs and medical sundries	91.00	83.00	54.30	38.33	26.18
Eyeglasses and appliances	24.00	22.00	14.34	9.33	5.93
Nursing home care	103.00	89.00	45.86	22.52	10.47
Other health services	31.00	26.00	16.75	9.92	5.79
Prepayment and administration	48.00	46.00	20.04	12.92	8.29
Government public health activities	31.00	30.00	14.36	6.81	4.11
Research and construction of medical facilities	56.00	51.00	38.20	25.88	17.75
Research	24.00	23.00	15.17	9.44	7.66
Construction	32.00	28.00	23.04	16.45	10.09

Source: Gibson, Robert M. and Daniel R. Waldo. National Health Expenditures, 1981. Health Care Financing Review, September 1982. p. 21. Also, unpublished data from the Bureau of Data Management and Strategy, Health Care Financing Administration, DHHS.

TABLE 2.—PERSONAL HEALTH CARE EXPENDITURES: AGGREGATE AMOUNTS AND PERCENTAGE DISTRIBUTION FOR SELECTED CALENDAR YEARS 1970, 1975, 1980, AND 1981

	1981	1980	1975	1970
	Amount (billions)			
Total	$255.0	$219.4	$116.8	$65.1
Private	152.0	132.2	70.7	42.6
Private health insurance	66.8	57.0	30.1	15.6
Out-of-pocket	81.7	72.1	39.0	26.0
Philanthropy and in-plant health services	3.5	3.1	1.6	1.0
Public	102.9	87.2	46.1	22.5
Federal	74.6	62.7	31.4	14.5
Medicare	43.5	35.7	15.6	7.1
Medicaid	16.4	13.8	7.6	2.9
Other	14.7	13.2	8.3	4.6
State and local	28.3	24.5	14.7	7.9
Medicaid	13.3	11.8	6.0	2.4
Other	15.0	12.7	8.7	5.6
	Percentage distribution			
Total	100.0	100.0	100.0	100.0
Private	59.6	60.3	60.6	65.5
Private health insurance	26.2	26.0	25.8	24.0
Out-of-pocket	32.0	32.9	33.4	39.9
Philanthropy and in-plant services	1.4	1.4	1.4	1.6
Public	40.4	39.7	39.5	34.5
Federal	29.3	28.6	26.9	22.3
Medicare	17.1	16.3	13.4	10.9
Medicaid	6.4	6.3	6.5	4.4
Other	5.8	6.0	7.1	7.0
State and local	11.1	11.2	12.6	12.2
Medicaid	5.2	5.4	5.1	3.6
Other	5.9	5.8	7.5	8.6

Source: Gibson, Robert M. and Daniel R. Waldo. National Health Expenditures, 1981. Health Care Financing Review, September 1982. p. 27.

EXPENDITURES FOR HOSPITAL CARE

National health care expenditures for all hospital care totaled $118.0 billion in 1981, an increase of 17.5 percent over 1980 spending of $100.4 billion. Total hospital inpatient expenditures have been increasing rapidly for many years. From 1970 to 1977, inpatient expenditures in community hospitals grew at an average annual rate of 14.6 percent. After a marked slowing in 1978 and 1979, growth accelerated rapidly and reached an annual rate of 18.4 percent in 1981. For the first 9 months of 1982, it dropped to 16.1 percent (See table 3).

This rapid growth in hospital costs has led to substantial increases in Federal spending for medicare and medicaid, of which roughly 66 percent is for hospital care. Federal outlays under these programs for hospital care totaled approximately $32 billion in fiscal year 1981, an increase of $6.3 billion from 1980. For every 1 percent increase in total hospital costs, Federal outlays increase by roughly $300 million.

Under current policies, rapidly rising hospital costs and increasing Federal outlays are likely to continue. For example, projections are that medicare outlays for hospital care will rise at an average annual rate of 14 percent through 1986. It is expected that these projections will be even higher when adjustments for recent hospital cost increases are made.

Although the high rates of growth in hospital costs are due primarily to increases in prices faced by hospitals, inflation does not explain the most recent surge in hospital expenditures. In the past year, the cost of hospital care has increased more than the "hospital market basket," which measures changes in the prices of goods purchased by hospitals. This index increased by 13.3 percent in 1981 and 9.8 percent through October 1982, whereas inpatient expenditures increased by 18.4 percent and 15.8 percent in those periods respectively.

Two factors explain why the costs of hospital care are growing faster than the prices of goods purchased by hospitals—the number of patients and the volume of services per patient. The number of admissions increased at an average rate of 2.1 percent per year during the 1970–81 period. About half of this is explained by population growth and the aging of the population.

Increases in the volume of services per patient, frequently referred to as "intensity," also explain part of the real growth in hospital expenditures. Each year, the average patient receives a larger number of increasingly sophisticated diagnostic and therapeutic services during a hospital stay. For example, after adjusting for price changes, the average heart attack patient spent 86 percent more for ancillary services in 1971 than in 1964.[1]

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[1] Anne A. Scitovsky, "Changes in the Use of Ancillary Services for 'Common' Illness," in Stuart H. Altman and Robert Blendon, editors, Medical Technology: The Culprit Behind Health Care Cost? (U.S. Department of Health, Education and Welfare, 1979), p. 41.

TABLE 3.—ANNUAL PERCENTAGE INCREASES IN INPATIENT HOSPITAL EXPENSES, HOSPITAL INPUT PRICES, ADMISSIONS, AND SERVICE INTENSITY, 1970–82 [1]

Calendar year	Inpatient expenses	Input prices	Admissions	Net intensity [2]
1970	17.2	6.5	6.3	3.5
1971	10.6	5.2	0.4	4.7
1972	11.6	5.0	2.6	3.6
1973	11.3	5.7	3.5	1.7
1974	15.5	9.1	3.7	2.1
1975	16.8	11.0	0.3	4.9
1976	18.7	8.7	3.4	5.6
1977	15.2	8.0	2.5	4.1
1978	12.3	8.7	0.4	2.9
1979	13.3	9.4	2.7	0.8
1980	16.8	12.7	2.9	0.7
1981	18.4	13.3	0.9	3.6
1982 [1]	15.8	9.8	−0.1	5.6
1970–82 [1] (average annual increase)	14.8	8.6	2.5	3.4

[1] Data for 1982 are annual rates based on the first 10 months only.

[2] A residual category of expenditures not accounted for by the input prices or admissions factors. Along with additional resources applied to patients' care, it may include increases or decreases in productivity, changing patterns in use, errors in the measurement of input prices, and time lags between input price increases and expenditure increases.

Sources: Congressional Budget Office. Inpatient expenses, input prices, and admissions based on data from the American Hospital Association. Net intensity calculated as a residual.

HEALTH CARE EXPENDITURES OF THE ELDERLY

In calendar year 1981, $255.0 billion was expended nationwide for personal health care services, an increase of 71 percent over the $149.1 billion recorded in 1977. While the elderly accounted for about 11 percent of the population in both years, 33 percent of 1981's total and 29 percent of 1977's total were spent on services for those aged 65 and over—$83.2 billion in 1981 and $43.3 billion in 1977. In 1981, per capita expenditures for this older population were $3,140 compared to $828 for those persons under age 65.

In 1981 and 1977, public spending financed 63.9 percent of the health care bill of the elderly, more than double the 29.9 percent recorded in 1965, the year prior to the implementation of medicare and medicaid.

In 1981, medicare paid 45.3 percent or $1,422 of the per capita bill of $3,140 for the elderly. Other sources of funding included medicaid (13.7 percent or $430 of the per capita bill), other public programs (4.9 percent or $154) and private payments, including private health insurance and out-of-pocket expenses (36.1 percent or $1130). The distribution of the payments for the aged's 1977 per capita health bill of $1,821 were: medicare—$805 (44.2 percent), medicaid—$253 (13.8 percent), other public programs—$107 (5.9 percent), private health insurance—$120 (6.6 percent), out-of-pocket expenses $530 (29.1 percent), and other $7 (.4 percent). The $530 in out-of-pocket expense did not include amounts paid for private health insurance premiums or medicare premiums. The last year for which these amounts are known and can be included in out-of-pocket expenses is 1977. If these amounts are included, total out-of-pocket spending was $698 per capita in calendar year 1977 compared to $300 in fiscal year 1966, the year prior to implementation of medicare. Viewed in terms of constant fiscal year 1966 dollars, out-of-pocket spending rose from $300 to $368 over the period. However, in terms of the elderly's average income, out-of-pocket spending declined from 15 percent to 12 percent of the total over the same period.[2]

TABLE 4.—OUT-OF-POCKET PER CAPITA HEALTH EXPENDITURES BY THE AGED, FISCAL YEAR 1966 AND CALENDAR YEAR 1977

	Fiscal year 1966	Calendar year 1977	
		Current dollars	Constant fiscal year 1966 dollars
Total amount	$300	$698	$368
Direct payments	237	530	279
Premiums:			
Private health insurance	63	90	47
Medicare, part B	NA	78	41

Source: Fisher, Charles R., "Differences by Age Groups in Health Care Spending" in Health Care Financing Review, Spring 1980, p. 79, and Gibson, Robert M. and Fisher, Charles R., "Age Differences in Health Care Spending: Fiscal Year 1977", in Social Security Bulletin, January 1979, p. 15.

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[2] Fisher, Charles R., Differences by Age Groups in Health Care Spending. Health Care Financing Review, Spring 1980. P. 78–79. And Gibson, Robert M. and Fisher, Charles R. Age Differences in Health Care Spending: Fiscal Year 1977. Social Security Bulletin, January 1979, p. 15.

TABLE 5.—ESTIMATED AMOUNT AND PERCENTAGE DISTRIBUTION OF PERSONAL HEALTH CARE EXPENDITURES FOR PERSONS AGED 65 AND OVER BY TYPE OF EXPENDITURE AND SOURCE OF FUNDS FOR CALENDAR YEARS 1970 AND 1981

	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Medicare	Medicaid	Other			Medicare	Medicaid	Other
Calendar year 1981										
Total	$83,200	$30,000	$37,700	$11,400	$4,100	100.0	36.1	45.3	13.7	4.9
Hospital care	36,600	5,300	27,100	1,300	2,900	100.0	14.5	74.0	3.6	7.9
Physicians' services	15,600	6,600	8,500	400	100	100.0	42.3	54.5	2.6	0.6
Dentists' services	2,400	2,300	...	100	(1)	100.0	95.8	...	4.2	...
Other professional services	2,000	1,200	700	100	(1)	100.0	60.0	35.0	5.0	...
Drugs and drug sundries	5,100	4,200	...	800	100	100.0	82.4	...	15.7	1.9
Eyeglasses and appliances	1,000	600	400	...	(1)	100.0	60.0	40.0	...	...
Nursing-home care	19,400	9,600	400	8,700	700	100.0	49.5	2.1	44.8	3.6
Other health services	1,000	100	500	100	300	100.0	10.0	50.0	10.0	30.0

Calendar year 1970										
Total	17,270	6,694	7,099	1,894	1,584	100.0	38.8	41.1	11.0	9.2
Hospital care	7,054	806	4,974	405	869	100.0	11.4	70.5	5.7	12.3
Physicians' services	3,030	1,166	1,718	115	31	100.0	38.5	56.7	3.8	1.0
Dentists' services	413	386	....	19	9	100.0	93.5	....	4.6	2.2
Other professional services	389	285	79	22	3	100.0	73.3	20.3	5.7	.8
Drugs and drug sundries	1,732	1,524	....	190	18	100.0	88.0	....	11.0	1.0
Eyeglasses and appliances	304	255	45	....	4	100.0	83.9	14.8	....	1.3
Nursing-home care	4,144	2,255	265	1,112	512	100.0	54.4	6.4	26.8	12.4
Other health services	204	18	17	31	138	100.0	8.8	8.3	15.2	67.7

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[1] Less than $50 million.

Source: Fisher, Charles R. Differences by Age Groups in Health Care Spending. Health Care Financing Review, Spring 1980, p. 89. Also, unpublished data from the Bureau of Data Management and Strategy, Health Care Financing Administration, DHHS.

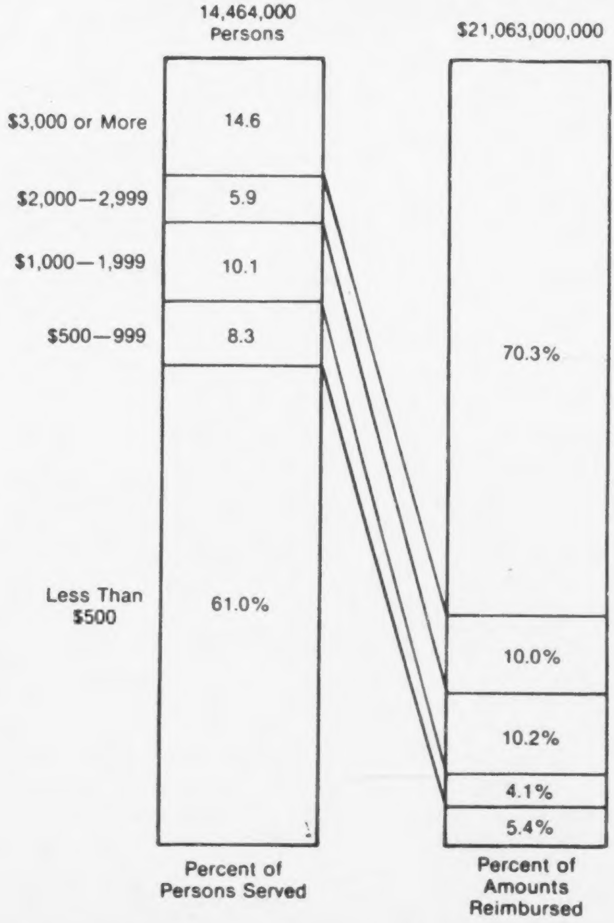
DISTRIBUTION OF PER RECIPIENT MEDICARE EXPENDITURES AND DEDUCTIBLE AND COPAYMENT AMOUNTS

A significant proportion of medicare beneficiaries receive no reimbursement for medicare services in a given year. Under the part A program, for example, in 1982, there were 29,682,000 beneficiaries with hospital insurance protection. Of this number only 7,530,000 (25.4 percent) received any reimbursed services under part A of the program. Thus, 22,152,000 or 74.6 percent of beneficiaries eligible under part A received no reimbursed service.

Under part B of the program, for example, in 1982 there were 28,223,000 beneficiaries with part B coverage. Of this total, 19,084,000 (67.6 percent) received reimbursed services. Thus, 9,139,000 or 32.4 percent of eligible beneficiaries under the part B program received no reimbursed services under the program.

Medicare per capita expenditure amounts for the aged do not reflect the considerable variations which exist. In 1978, 61 percent of aged persons receiving services reimbursed under parts A and/or B had medicare reimbursements totaling less than $500; expenditures for these persons accounted for only 5.4 percent of the total amounts reimbursed. On the other hand, 14.6 percent of persons receiving services under parts A and/or B had medicare reimbursements totaling over $3,000; expenditures for these persons accounted for 70.3 percent of the total (see Figure 1).

FIGURE 1
Percent Distribution of Aged Persons Served and Amounts Reimbursed Under Hospital Insurance and/or Supplementary Medical Insurance by Amounts Reimbursed, 1978



Source: DHHS, HCFA, Medicare: Summary of Use and Reimbursement by Person, 1978, Health Care Financing Notes, HCFA Pub. No. 03116, August 1981, p. 15.

The following table provides additional information on the distribution of medicare expenditures for the aged.

TABLE 6.—PERCENTAGE DISTRIBUTION OF AGED PERSONS RECEIVING SERVICES AND AMOUNTS REIMBURSED UNDER HOSPITAL INSURANCE AND/OR SUPPLEMENTARY MEDICAL INSURANCE BY AMOUNTS REIMBURSED, 1978

Reimbursement amounts	Persons receiving services		Reimbursements	
	Number	Percent	Amount in thousands	Percent
Less than $50	2,822,320	19.5	$67,742	0.3
$50 to $99	1,931,280	13.4	141,279	0.7
$100 to $199	2,075,100	14.3	296,866	1.4
$200 to $299	999,200	6.9	244,380	1.2
$300 to $399	577,340	4.0	199,833	0.9
$400 to $499	407,920	2.8	182,382	0.9
$500 to $749	682,980	4.7	421,174	2.0
$750 to $999	518,920	3.6	452,149	2.1
$1,000 to $1,499	826,600	5.7	1,024,342	4.9
$1,500 to $1,999	640,420	4.4	1,113,564	5.3
$2,000 to $2,999	860,220	5.9	2,116,351	10.0
$3,000 to $3,999	561,980	3.9	1,946,318	9.2
$4,000 to $4,999	385,000	2.7	1,720,220	8.2
$5,000 or more	1,175,120	8.1	11,135,966	52.9
Total	14,464,400	100.0	21,062,566	100.0

Note: Totals may not add due to rounding.

Source: DHHS, HCFA. Medicare Summary; Use and Reimbursement by Person, 1976–1978. Health Care Financing Program Statistics, HCFA Pub. No. 03137, August 1982, pp. 139 and 142.

The preceding discussion has focused on the distribution of medicare reimbursements. Similar data is also available on the liability of medicare beneficiaries defined as the deductible and copayment amounts. It does not include liability for medical service not covered by medicare or for any liability due to unassigned medicare claims. In 1978, 80.1 percent of aged persons enrolled in both parts A and B had less than $200 in liability for such expenses. On the other hand, enrollees at the high end of the scale were liable for most of the cost sharing owed.

TABLE 7.—DISTRIBUTION OF MEDICARE ENROLLEES AGED 65 AND OVER ACCORDING TO PART A AND PART B COMBINED LIABILITY 1978

Liability category	Distribution of enrollees		Distribution of liability	
	Numbers	Percent	Dollars (in thousands)	Percent
Total	24,365,920	100.0	$2,756,529	100.0
Less than $40	13,894,000	57.0	76,589	2.8
$40 to $89	3,559,860	14.6	221,838	8.0
$90 to $139	1,089,340	4.5	119,276	4.3
$140 to $149	221,660	0.9	31,996	1.2
$150 to $159	123,580	0.5	19,081	0.7

TABLE 7.—DISTRIBUTION OF MEDICARE ENROLLEES AGED 65 AND OVER ACCORDING TO PART A AND PART B COMBINED LIABILITY 1978—Continued

Liability category	Distribution of enrollees		Distribution of liability	
	Numbers	Percent	Dollars (in thousands)	Percent
$160 to $169	130,620	0.5	21,497	0.8
$170 to $179	149,200	0.6	26,057	0.9
$180 to $189	179,160	0.7	33,073	1.2
$190 to $199	201,840	0.8	39,281	1.4
$200 to $239	974,560	4.0	213,529	7.7
$240 to $439	2,291,120	9.4	739,855	26.9
$440 to $939	1,276,340	5.3	765,608	21.4
$940 to $1,439	173,520	0.7	195,866	7.1
$1,440 and over	101,120	0.4	252,985	9.2

Note: The liability categories do not fully reflect beneficiary liability for the Part B deductible.
Source: DHHS, HCFA, unpublished working paper, August 1982.

EXPENDITURES FOR HOSPITAL CARE BY THE ELDERLY

Medicare is now paying a slightly larger proportion of the hospital bills for the aged. In 1970, $7.0 billion was spent on hospital care for persons 65 and over. Of this amount, the medicare program paid $5.0 billion, or 70.5 percent. In 1981, hospital care expenditures for the aged were $36.6 billion; the medicare program paid $27.1 billion or 74.0 percent of all hospital care expenditures for the aged. (See Table 5.)

Approximately two-thirds (67.5 percent) of all medicare benefits in 1981 went for hospital care ($27.8 billion out of a benefit total of $41.2 billion). This percentage is slightly lower than in 1970, when 71.8 percent of medicare benefits went for hospital care ($5.1 billion out of a benefit total of $7.1 billion).

Total medicare reimbursement to short-stay hospitals more than quadrupled from 1970 to 1981, increasing from $4.5 billion to $19.4 billion, an average annual increase of approximately 15 percent. During this period, the average reimbursement to short-stay hospitals per discharged medicare enrollee rose from $763 to $2,119, despite a decrease from 13.1 days to 10.5 days in the average length of stay for each discharged enrollee. The average reimbursement per hospital day covered by the program increased from $60 in 1970 to $206 in 1981. The increase in medicare short-stay hospital reimbursements between 1970 to 1981 was primarily a function of the increased cost of hospital care as measured by reimbursement per covered day. (See Table 8.)

TABLE 8.—USE OF SHORT STAY HOSPITAL SERVICES BY MEDICARE HOSPITAL INSURANCE (HI) BENEFICIARIES: NUMBER OF HI ENROLLEES AND DISCHARGES, DAYS OF CARE, CHARGES, AND REIMBURSEMENT, CALENDAR YEARS, 1970–81 [1]

Year	Number of enrollees	Number of discharges	Mean length of stay (in days)		Days of care			Total charges			Reimbursement		
			Total	Covered	Total number (thousands)	Covered		Amount (thousands)	Per discharge	Per day	Amount (thousands)	Per discharge	Percent of total charges
			Per discharge	Per discharge		Number (thousands)	Percent of total days						
1970[2]	20,361,152	5,920,320	13.1	12.8	77,652	75,914	97.7	5,908,690	998	76	4,517,654	763	76.4
1971[2]	20,742,250	6,111,835	12.7	12.3	77,395	75,313	97.3	6,733,494	1,102	87	5,129,245	839	76.1
1972[2]	21,115,261	6,495,050	12.3	11.8	79,809	76,788	96.2	7,560,301	1,164	95	5,709,189	879	75.5
1973	23,301,082	6,861,125	11.9	11.3	81,380	77,663	95.4	8,269,144	1,207	102	6,253,014	911	75.6
1974	23,924,145	7,012,555	11.6	11.3	81,307	79,418	97.7	9,722,750	1,386	120	7,309,058	1,042	75.2
1975	24,640,497	7,413,490	11.3	11.2	84,140	82,734	98.3	12,309,324	1,660	146	9,209,250	1,242	74.8
1976	25,312,575	8,320,120	11.2	11.1	93,516	91,993	98.4	15,971,925	1,920	171	11,895,771	1,430	74.5
1977	26,093,919	8,740,440	11.0	10.8	95,882	94,251	98.3	18,952,160	2,168	198	13,795,807	1,578	72.8
1978	26,777,263	9,349,131	10.7	10.5	99,786	97,928	98.1	22,595,854	2,417	226	16,054,294	1,717	71.0
1979	27,459,157	9,643,610	10.6	10.3	101,758	99,147	97.4	25,832,925	2,679	253	18,173,832	1,885	70.4
1980	28,066,894	9,140,705	10.5	10.3	96,388	94,206	97.7	27,953,479	3,058	290	19,368,226	2,119	69.3
1981	28,589,504	3,851,155	10.3	10.1	39,726	38,799	97.7	13,358,862	3,469	336	9,162,284	2,379	68.6

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[1] 1970–79 data based on bills processed through December 1980; 1980 and 1981 data from bills processed through December 1981.

[2] Prior to 1973, services were covered only for beneficiaries aged 65 and over. Effective July 1, 1973, HI benefits were extended to persons under 65 years of age who were entitled to cash benefits for not less than 24 consecutive months under the disability insurance program and to persons with End-Stage Renal Disease (ESRD).

Source: Goldsteen, Raymond. Medicare: Inpatient Use of Short-Stay Hospitals, 1978. Health Care Financing Notes, April 1981. HCFA Pub. No. 03087. p. 6, and unpublished data provided by the Bureau of Data Management and Strategy, HCFA, from medicare health insurance master files.

EXPENDITURES FOR PHYSICIAN SERVICES BY THE ELDERLY

In 1981, physician expenditures for the aged totaled $15.6 billion, an increase of $8 billion or 105 percent over the $7.6 billion recorded in 1977. The 1981 figure represented 18.7 percent of total personal health care expenditures for the elderly and the third largest item of health care expense for this population group.

Public spending, primarily medicare, accounts for about 58 percent of total physician expenditures for the elderly. Private spending represents approximately 42 percent of the total.

TABLE 9.—PER CAPITA EXPENDITURES FOR PHYSICIANS' SERVICES FOR THE AGED BY SOURCE OF FUNDS AND PERCENTAGE DISTRIBUTION, CALENDAR YEAR 1981

Source of funds	Per capita amount	Percentage distribution
Total	$589	100.0
Public funds	340	57.7
Medicare	321	54.5
Medicaid	15	2.6
Other public programs	4	0.6
Private funds	249	42.3

Source: Unpublished data from the Bureau of Data Management and Strategy, Health Care Financing Administration, DHHS.

The percentage of total physician services paid for by medicare has declined slightly since the early years of the program from 57.3 percent in fiscal year 1968 to 54.5 percent in calendar year 1981. At the same time there has been a significant increase in reasonable charge reductions for unassigned medicare claims; the average amount reduced per approved unassigned claim was $25.78 in calendar year 1981. These reductions can become an out-of-pocket expense for beneficiaries.

SUPPLY OF HOSPITAL BEDS AND PHYSICIANS

The national supply of community hospital beds per 1,000 population has steadily increased since the 1940's, reaching a peak of 4.6 beds per 1,000 population in 1975. By 1981, the number of beds had dropped to 4.4 per 1,000 population. Similar trends can be seen in the nine census regions, except for New England, which has seen a reduction since 1940 from 4.4 beds to 4.1 beds per 1,000 population in 1981, and the Pacific region, where the reduction has been from 4.1 beds in 1940 to 3.4 in 1981. The area experiencing the largest increase has been the East South Central, where beds increased from 1.7 per 1,000 population in 1940 to 5.0 in 1981 (see Table 10).

TABLE 10.—HOSPITAL BEDS PER 1,000 POPULATION, ACCORDING TO GEOGRAPHIC DIVISION: UNITED STATES, SELECTED YEARS 1940–81

[Data are based on reporting by facilities]

Geographic division	Year						
	1940 [1]	1950 [1]	1960 [2]	1970	1975	1980	1981
United States	3.2	3.3	3.6	4.3	4.6	4.5	4.4
New England	4.4	4.2	3.9	4.1	4.2	4.1	4.1
Middle Atlantic	3.9	3.8	4.0	4.4	4.6	4.6	4.5
East North Central	3.2	3.2	3.6	4.4	4.7	4.7	4.7
West North Central	3.1	3.7	4.3	5.7	5.8	5.8	5.8
South Atlantic	2.5	2.8	3.3	4.0	4.3	4.5	4.3
East South Central	1.7	2.1	3.0	4.4	4.9	5.1	5.0
West South Central	2.1	2.7	3.3	4.3	4.7	4.7	4.4
Mountain	3.6	3.8	3.5	4.3	4.0	3.8	3.7
Pacific	4.1	3.2	3.1	3.7	3.9	3.5	3.4

[1] 1940 and 1950 data are estimated based on published figures.

[2] 1960 includes hospital units of institutions.

Note: Hospitals include all non-Federal short-stay hospitals classified by the American Hospital Association according to one of the following services: general medical and surgical; obstetrics and gynecology; eye, ear, nose, and throat; rehabilitation; orthopedic; other specialty; children's general; children's eye, ear, nose, and throat; children's rehabilitation; children's orthopedic; and children's other specialty.

Source. Health. United States, 1982. U.S. Department of Health and Human Resources. DHHS Publication No. (PHS) 83–1232, Table 58, pp. 120 and 121. Data sources include: American Medical Association: Hospital service in the United States. JAMA 116(11): 1055–1144, 1941, and 146(2): 109–184, 1951. (Copyright 1941 and 1951: Used with the permission of the American Medical Association.); American Hospital Association: Hospitals. JAHA 35(15): 383–430, Aug. 1, 1961. (Copyright 1961: Used with the permission of the American Hospital Association.); Division of Health Care Statistics, National Center for Health Statistics: Data from the National Master Facility Inventory; U.S. Bureau of the Census: Current Population Reports. Series P–25, Nos. 72, 304, 460, 640, 642, 868, 876, and 911. Washington. U.S. Government Printing Office, 1953, 1965, 1971, 1976, 1979, 1980, and 1982; Unpublished data.

The number of active physicians in the country has increased from 279,212 in 1970 to 405,800 in 1980. This growth rate exceeded the rate at which the population of the Nation grew during the decade. As table 11 below indicates, the ratio of physicians-to-population increased from 137 physicians per 100,000 population in 1970 to 184 physicians per 100,000 population in 1980. This table also indicates variations in the supply of physicians relative to population across the country. For example, while the Northeast in 1980 had 225 physicians per 100,000 population, the South had 160 physicians per 100,000 population.

TABLE 11.—NUMBER OF ACTIVE NON-FEDERAL PHYSICIANS (M.D.'s) PER 100,000 POPULATION, BY REGION, DIVISION, AND STATE: DECEMBER 31, 1970, AND ADJUSTED DATA FOR 1975 AND 1980

Geographic area	1970	1975,[1]	1980,[1]
United States[2]	137.0	155.9	183.9
Northeast	178.7	197.0	224.9
New England	172.3	199.3	232.5
Connecticut	178.1	206.6	249.0
Maine	97.7	121.7	151.2
Massachusetts	193.6	221.7	252.8
New Hampshire	124.7	146.3	171.5
Rhode Island	142.5	175.2	208.9
Vermont	168.9	189.0	217.9
Middle Atlantic	180.8	196.2	222.3
New Jersey	135.8	162.0	183.5
New York	223.1	235.1	260.4
Pennsylvania	142.9	158.0	189.4
North Central	118.2	135.8	162.5
East North Central	119.5	137.1	163.6
Illinois	129.9	155.6	185.1
Indiana	95.8	108.9	132.8
Michigan	116.7	134.7	156.6
Ohio	125.3	137.1	165.8
Wisconsin	112.9	128.8	156.3
West North Central	115.2	132.8	159.7
Iowa	96.6	105.2	129.7
Kansas	107.9	128.0	158.5
Minnesota	141.8	162.2	196.5
Missouri	120.3	141.3	162.0
Nebraska	106.1	124.2	149.5
North Dakota	87.7	104.1	132.7
South Dakota	75.5	82.7	107.5
South	111.5	133.0	159.4
South Atlantic	122.1	147.8	174.0
Delaware	124.0	139.7	165.3
District of Columbia	364.5	435.5	520.2
Florida	123.9	155.2	175.2
Georgia	100.3	118.5	142.7
Maryland	170.5	206.2	238.3
North Carolina	102.5	123.5	151.2
South Carolina	84.5	106.0	131.8
Virginia	112.5	136.4	167.3
West Virginia	97.7	120.3	141.3
East South Central	94.8	112.5	136.4
Alabama	83.6	100.1	126.8
Kentucky	96.4	116.5	135.4
Mississippi	78.4	87.4	109.0
Tennessee	112.7	134.1	160.4

TABLE 11.—NUMBER OF ACTIVE NON-FEDERAL PHYSICIANS (M.D.'s) PER 100,000 POPULATION, BY REGION, DIVISION, AND STATE: DECEMBER 31, 1970, AND ADJUSTED DATA FOR 1975 AND 1980—Continued

Geographic area	1970	1975,[1]	1980,[1]
West South Central	105.5	122.2	150.2
Arkansas	84.6	95.2	119.1
Louisiana	113.6	127.0	153.4
Oklahoma	94.4	108.0	134.7
Texas	109.1	128.6	157.8
West	154.8	174.3	208.0
Mountain	124.3	142.6	168.3
Arizona	123.4	158.1	180.8
Colorado	163.0	172.4	204.7
Idaho	87.0	95.1	114.4
Montana	97.4	111.0	132.7
Nevada	102.2	116.8	141.5
New Mexico	102.5	121.2	146.1
Utah	128.8	149.5	174.0
Wyoming	91.0	99.7	118.2
Pacific	164.4	185.0	222.3
Alaska	65.2	91.5	117.9
California	175.0	195.6	233.9
Hawaii	137.5	159.6	204.1
Oregon	133.3	159.8	184.0
Washington	136.4	154.0	193.1

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[1] Numbers of active non-Federal physicians are adjusted for 1975 and 1980 to include about 90 percent of those either with unknown address or not classified as to status or activity by the American Medical Association.

[2] Excludes counts of physicians in U.S. Possessions.

Source: Supply and Characteristics of Selected Health Personnel, U.S. Department of Health and Human Services, Bureau of Health Professions, DHHS Pub. No. (HRA) 81-20, June 1981, p. 23.

The number of physicians in the country is expected to continue to grow at a faster rate than population. Department of Health and Human Services' projections of physicians-to-population ratios indicate that there will be 215.6 active physicians (M.D.'s) per 100,000 population in 1985, 231.3 in 1990, 244.2 in 1995, and 255.7 in 2000.

APPENDIX D. REIMBURSEMENT FOR HOSPITALS AND PHYSICIANS UNDER MEDICARE

REIMBURSEMENT TO HOSPITALS[1]

STATUTORY REQUIREMENTS

Medicare benefits are paid on the basis of "reasonable cost" in the case of hospitals. "Reasonable costs" are determined by medicare based on actual costs incurred by the individual provider in furnishing covered services to beneficiaries. All necessary and proper costs which maintain the operation of patient care facilities and activities are included in the computation of reimbursement. Hospitals submit claims to their intermediary on behalf of beneficiaries and agree to accept the program's reasonable cost determination as payment in full for covered services. The beneficiary is responsible for paying for the part A deductible and coinsurance amounts and for noncovered services.

The Secretary of the Department of Health and Human Services (HHS)[2] is required to issue regulations establishing the method or methods to be used and the items to be included in determining the reasonable cost of covered care. In developing these regulations, the Secretary is directed to consider the principles generally applied by national organizations in determining the amounts of payments. The regulations may provide for the determination of costs on a per diem, per unit, per capita, or other basis; may provide for using different methods in different circumstances; may provide for the estimates of certain costs; and may provide for the use of charges or percentage of charges where this method reasonably reflects the costs. The Secretary is required not to recognize as reasonable (in the efficient delivery of health services) inpatient hospital operating costs which exceed certain limits. In addition, limits are established over a three-year period on the allowable rate of increase in inpatient operating costs, with incentive payments to hospitals that keep their costs below their limits. Both limits are applied on a per case basis. (See section on "Special Limits".)

The law requires the Secretary to apportion the costs of services provided by hospitals between beneficiaries and other patients to assure that neither group bears the costs of the other. The Secretary is also required to provide for the making of suitable retroactive corrective adjustments in the amount of payment to institutions where aggregate reimbursement has proven to be either inadequate or excessive.

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[1] This section borrows heavily from two Congressional Research Service prints entitled "How Medicare Pays Doctors" and "Hospital Reimbursement Under Medicare."

[2] All references to the "Secretary" in this section refer to the Secretary of the Department of Health and Human Services (HHS); all references to the "Department" refer to the Department of HHS.

To carry out the congressional mandate, the Department has developed regulations which:

—Identify allowable costs, i.e., those items or elements of a provider's actual costs which are reimbursable under the program; these costs must be reasonable and relate to patient care.

—Provide a method for cost apportionment, i.e., determining what portion of total allowable costs of a hospital can be attributed to medicare beneficiaries and therefore be reimbursed under the program.

—Provide methods of cost finding, i.e., determining what the total cost is of providing services.

—Provide methods for making payments to providers.

More detailed information on hospital reimbursement is contained in the Provider Reimbursement Manual prepared by the Health Care Financing Administration (HCFA), Department of Health and Human Services.

Pursuant to the requirements of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982, the Secretary of HHS developed and reported to Congress prior to December 31, 1982, a legislative proposal for a new medicare hospital reimbursement system under which payment would be established on a prospective basis.

ALLOWABLE COSTS—GENERAL PRINCIPLES

Allowable costs are items or elements of a provider's actual costs which are reimbursable under the program. Such costs must be reasonable and relate to patient care. Reasonable costs include all necessary and proper expenses incurred in rendering services such as administrative costs, maintenance costs, employee salaries, and the cost of employee health and pension plans. It includes both direct and indirect costs and normal standby costs. Excluded from allowable costs are items specifically not reimbursable under the program, and amounts attributable to the furnishing of luxury items or services (i.e., items or services substantially in excess of or more expensive than those considered necessary for the provision of needed health services). The cost of a non-medically necessary private room is excluded. Also excluded are items not specifically related to patient care such as telephones, televisions, and radios furnished for the personal comfort of patients.

Allowable costs cannot exceed what a prudent and cost-conscious buyer would pay for a given item or service. This is known as the "prudent buyer" principle. Intermediaries are expected to review provider purchasing patterns to assure that excessive costs are not being paid and that providers take advantage of discounts available from bulk purchasing or joint purchasing arrangements. Costs in excess of those normally incurred in purchasing a supply or service are not allowable in the absence of a clear justification for the difference.

Certain hospital services may be furnished "under arrangements." This refers to situations where the provider has contracted with an outside organization to perform services for the provider. The amount charged by the supplying organization and paid by the hospital for services rendered becomes a cost to the hospital. This amount is included in the latter's allowable costs to the extent such charges are reasonable. Generally, the reasonableness of supplier charges is determined by whether they are in line with the going rate charged to others within the community. Program payments for services provided under arrangements can never be made directly to the supplier.

Detailed rules have been established concerning those specific elements of a provider's costs which are "allowable" for medicare purposes. The following sections outline the major principles.

Depreciation

Depreciation is that amount which represents the portion of an asset's cost which is allocable to a period of operation. Depreciation accounting is a system of accounting which prorates the cost or other basic value of a tangible capital asset less salvage value (if any) over its estimated useful life.

An appropriate allowance for depreciation on buildings and equipment used to render care covered by medicare is an allowable cost. Depreciation is based on the "historical," i.e., original, cost of the asset except that special rules apply in the case of assets acquired prior to 1966. The program recognizes depreciation on assets in use at the time the provider enters the program even though such assets have been fully or partially depreciated on the provider's books. A depreciation allowance is also permitted on assets that are used in a normal standby or emergency capacity or for assets financed by public funds.

In general, the useful life of an asset is based on the useful-life guidelines published by the American Hospital Association (Chart of Accounts) or the Internal Revenue Service. Generally, options for straight-line depreciation (which provides a uniform allowance each year) and accelerated depreciation (which permits a larger writeoff in the initial years) are permitted for assets acquired before August 1970; only straight line and (within limits) declining balance depreciation (which is one form of accelerated depreciation) are recognized for assets acquired at a later date. Reevaluation of assets is permitted where a change of ownership has occurred but not in cases involving acquisition of stock. Special rules apply with respect to gains or losses resulting from disposal of assets.

Medicare does not require the funding of depreciation; that is, the provider is not required to set aside the amount allowed for depreciation for replacement of the asset. However, as an incentive for funding, investment income on funded depreciation is not treated as a reduction in allowable interest expense.

Public Law 97-34, the Economic Recovery Act of 1981, made a number of changes in the calculation of depreciation for tax purposes. However, the law excludes medicare (and other programs administered by HHS) from the new depreciation rules for purposes of determining cost reimbursement under the program.

Interest

Necessary and proper interest on current and capital indebtedness is included as an "allowable cost" under medicare. Generally, current indebtedness represents short-term loans for working capital for normal operating expenses. Capital indebtedness represents long-term loans in which the funds are used for acquiring facilities and equipment or making capital improvements.

To be recognized as an allowable cost, interest must be incurred on funds needed to satisfy the financial needs of the hospital and must be for a purpose reasonably related to patient care. The rate of interest may not be in excess of what a prudent borrower would have had to incur in the money market in an arms-length transaction. The interest must be paid to a lender not related through control, ownership, or personal relationship to the borrowing organization.

Generally, allowable interest expenses are reduced by investment income except where such income is from: (1) gifts and grants, whether restricted or unrestricted, and which are held separately and not commingled with other funds; (2) funded depreciation; or (3) a provider's qualified pension fund.

Bad debts, charity, and courtesy allowances

Bad debts, charity, and courtesy allowances are not "allowable costs" for medicare purposes. However, that portion of bad debts attributable to a medicare beneficiary's failure to pay deductible and coinsurance amounts is reimbursable. To be allowable, such debt must be related to covered services, and the provider must establish that reasonable collection efforts were made, that the debt could not actually be collected when claimed as worthless, and that there was no likelihood of recovery at any time in the future.

Public Law 97-248, the Tax Act and Fiscal Responsibility Act of 1982, contains a provision to clarify that the costs incurred by a hospital in complying with its free care obligation under the Hill-Burton Act would not be considered reasonable costs for purposes of medicare reimbursement.

Cost of educational activities

A provider's allowable costs may include the net cost of approved educational activities. Such approved educational activities are formally organized or planned programs of study (as distinguished from on-the-job or similar work-learning programs) engaged in by the provider for the staff members to enhance the quality of patient care. Where required, the acitivity must be licensed by State law. If no State licensing is required, approval must be obtained from the recognized national professional organization for the particular activity.

The net cost recognized by the program is determined by deducting from the provider's total costs of these activities, the revenues it receives from tuition and from restricted grants and donations.

Research costs

Research costs over and above those related to usual patient care are excluded from allowable costs. If research is conducted in conjunction with or as a part of the care of patients, the costs of usual patient care are reimbursable to the extent that they are not met by research funds. The costs of extraordinary patient care which are tied to research objectives are not reimbursable. Extraordinary care is defined as that rendered to research patients which is not medically necessary, reasonable, or ordinarily furnished to patients by providers.

Grants, gifts, and income from endowments

In general, unrestricted grants, gifts, and income from endowments are not deducted from operating costs in computing "allowable costs" while those designated by a donor for paying specific operating costs must be deducted from the particular operating cost or group of costs to which they apply. Similar rules apply with respect to the allowability of Government grants or similar payments. Further, the Secretary has the authority not to deduct from operating costs certain types of donor-designated grants and gifts (including Government grants) which he determines should be encouraged in the interests of needed health care.

Value of services of nonpaid workers

Under certain circumstances, the value of services performed by nonpaid workers (generally members of religious orders) is allowable as a reimbursable cost. The amount recognized per individual cannot exceed the amount allowed, excluding overtime, for paid employees who perform similar services. To be recognized, the services performed by nonpaid workers must be directly related to patient care or administrative positions essential to providing that care. Services such as distributing books or magazines to patients, or work in a provider's cafeteria or gift shop, are not allowable costs.

Return on equity capital of proprietary providers

A reasonable return on equity capital invested and used in providing patient care is an allowable cost for proprietary providers. Equity capital is the net worth of a provider excluding those assets and liabilities not related to patient care. Specifically equity capital includes: (1) a provider's investment in plant, property, and equipment (net of depreciation) related to patient care, plus funds deposited by a provider who leases such items where such deposit is required by the lease; and (2) net working capital maintained for necessary and proper operation of patient care activities.

The base amount of equity capital to be used in computing the allowable return is the average investment of the owners during a reporting period. The rate of return is equal to one and one-half times the rate of interest paid by the Federal Treasury on the assets of the Federal Hospital Insurance Trust Fund.

Drugs

Allowable costs for certain multiple-source drugs are subject to "maximum allowable cost" (MAC) limitations. These limitations, periodically published in the Federal Register, are based on the lowest price at which the drug is widely and consistently available to pharmacists and the most frequently purhased package size. For purchases made after the date for which a MAC limitation has been established for a particular drug, the allowable cost may not exceed the lowest of: (1) the actual cost; (2) the amount which would be paid by a prudent and cost-conscious buyer for the drug if obtained from the lowest-priced source that is widely and consistently available within a provider's service area whether sold by a generic or brand name; or (3) the MAC limit. An exception is permitted where a physician has certified that in his medical judgment a specific brand name drug is medically necessary for a particular patient.

Payment for hospital-based physicians and under certain percentage arrangements

Many hospitals retain physicians on a full-time basis particularly in the fields of radiology, anesthesiology, and pathology. These provider-based physicians generally perform a variety of services for the institution (such as supervision, teaching, research, administration) as well as render direct medical services to individual patients. The general practice among many hospitals and other providers employing these physicians is to compensate them either on a fixed salary or a percentage of income basis (either gross or net) for all their services. There are also arrangements under which the physician assumes all or part of the costs of operating a provider department through a lease or concession arrangement.

The 1982 Tax Act directs the Secretary to prescribe regulations which distinguish between: (1) professional medical services which are personally rendered to an individual patient, which contribute to the patient's diagnosis or treatment and are reimbursable only under part B on a charge basis; and (2) professional services which are of benefit to patients generally and which can be reimbursed only on a reasonable cost basis. Reasonable cost reimbursement may not exceed a reasonable compensation equivalent. The Secretary may grant exceptions to these limits if a facility shows that it would be unable to recruit or maintain an adequate number of physicians because of the application of such limits. The Department issued proposed regulations on October 1, 1982; as of February 4, 1983, final regulations had not been issued.

The 1982 Tax Act also provides that no cost (except as described below) incurred by any provider of services under a contractual arrangement will be considered reasonable, if the amount payable under such contract for that cost is determined on the basis of a percentage (or other proportion) of the provider's charges, revenues, or claim for reimbursement. The prohibition would not apply prior to October 1, 1982, to costs incurred under a percentage arrangement where such costs are attributable to the services of a provider-based physician which are rendered for the general benefit to patients in a hospital and which may be reimbursed only on a reasonable cost basis. Beginning October 1, 1982, the prohibition would not apply to such a provider-based physician where the limit on reimbursement for such services according to a reasonable compensation equivalent (described above) has been implemented. The prohibition would also not apply where the amount involved under a percentage contract is reasonable and the contract is either a customary commercial business practice or provides incentives for the efficient and economical operation of the provider of services.

Anti-unionization activities

Prior to 1982, the Secretary excluded from "allowable costs" those costs incurred by providers related to persuading their employees not to join a collective bargaining unit or not to join a trade union. The exclusion was based on the determination that such costs were not related to patient care. The policy was reversed in January 1982. The 1982 Tax Act prohibits medicare reimbursement for any costs incurred for activities directly related to influencing employees respecting unionization.

COST APPORTIONMENT

Under medicare, total allowable costs of a provider must be apportioned between program beneficiaries and other patients so that the share borne by the program is based on actual services received by medicare beneficiaries. For cost reporting periods beginning after June 1979, hospitals have been required to use the *Departmental Method* of apportionment. This method generally involves three main steps:

- —Calculation of the ratio of beneficiary charges to total charges for each ancillary department and application of this ratio to total allowable charges to determine medicare's share.
- —Calculation of a separate average per diem cost for general routine services and for each special care unit in the hospital.
- —A separate calculation of medicare costs for malpractice insurance premiums and self-insurance fund contributions.

The sum of these calculations equals the portion of allowable costs which is reimbursable under medicare (less any applicable deductible and coinsurance amounts). The following sections outline how each of these calculations is made.

Ancillary departments

Hospital ancillary departments are those such as the operating room, laboratory, pharmacy, etc., which customarily bill charges in addition to those made for routine services. For each ancillary department, the cost of services rendered to program beneficiaries is determined through the use of the RCC (ratio of beneficiary charges to total charges) method. Under RCC, charges for covered services attributable to medicare patients are divided by the total charges made for covered services to all hospital patients. The resulting percentage is then multiplied by total allowable costs to determine medicare's reimbursement liability to the institution.

In order that its charges may be allowable for use in apportioning program costs, the facility should have an established charge structure which is uniformly applied as services are rendered and which is reasonably consistently related to the cost of providing services. It should be emphasized that medicare pays on the basis of costs, not charges. Individual charges to medicare patients affect reimbursement only to the extent that they determine the percentage of allowable costs for which payments will be made.

The following example shows how costs for ancillary departments are computed:

Department	Charges to beneficiaries	Total charges	Ratio (in percent)	Total allowable cost	Cost of beneficiary services
Operating room	$40,000	$140,000	28.57	$154,000	$44,000
Pharmacy	40,000	120,000	33.33	90,000	30,000
Laboratory	80,000	280,000	28.57	196,000	56,000
X-ray	48,000	200,000	24.00	150,000	36,000
Delivery	0	24,000	0	60,000	0
Others	12,000	60,000	20.00	50,000	10,000
Total	220,000	824,000	....	700,000	176,000

Routine services and special care units

Routine hospital services include room and board, nursing services, minor medical and surgical supplies, and the use of equipment and facilities for which a separate charge is not customarily made. Intensive care type units are those which furnish services to critically ill patients such as intensive care units, trauma units, coronary care units, pulmonary care units, and burn centers.

The costs of general routine services and intensive care units are determined on a per diem (i.e., per day) basis. The average per diem cost is derived for each unit and applied to the number of beneficiary days in the unit to determine medicare's share. The following example demonstrates how these costs are computed:

Cost center	Total days	Total cost	Average cost per diem	Beneficiary days	Cost of beneficiary services
General routine	30,000	$3,000,000	$100	8,000	$800,000
Coronary care unit	500	60,000	120	200	24,000
Intensive care unit	4,000	440,000	110	1,000	110,000
Total	34,500	3,500,000	....	9,200	934,000

Malpractice costs

Effective for cost reporting periods beginning after June 1979, providers have been required to separately determine malpractice insurance premiums and self-insurance fund contributions attributable to medicare. Unlike other ancillary department costs, which are apportioned on the basis of beneficiary charges to total charges, apportionment is based on the dollar ratio of a provider's paid medicare malpractice losses to its total paid malpractice losses for the current reporting period and the preceding 4-year period. In a case where the provider has no malpractice loss experience over the period, malpractice costs are to be apportioned to medicare on the basis of the national ratio of malpractice awards paid to medicare beneficiaries compared to such awards paid to all patients. Where a provider pays uninsured malpractice losses in behalf of medicare beneficiaries that are determined to be allowable, such losses and related direct costs are directly assigned to medicare for reimbursement.

Prior to July 1979, malpractice costs were apportioned on the basis of the ratio of medicare charges to total charges. HCFA, in issuing the revised regulations, stated that this method had resulted in medicare paying a disproportionate amount of such costs. Malpractice awards for medicare patients are significantly less than awards for the remainder of the patient population because the income potential and life expectancy of medicare patients are less than that for the general population.

SPECIAL LIMITS

Inpatient routine nursing salary cost differential

Since July 1969, the Secretary has paid an additional amount for general inpatient routine nursing salary costs on the theory that older patients require more nursing care than the average patient. This amount, known as the inpatient routine nursing salary cost differential, was 8.5 percent; however, Public Law 97-35, the "Omnibus Budget Reconciliation Act of 1981," reduced the differential to 5 percent, effective October 1, 1981.

The 1982 Tax Act eliminated the nursing differential, effective with respect to hospital cost reporting periods ending after September 30, 1982.

Limits on inpatient operating costs ("section 223 limits")

By law, the Secretary is authorized to set prospective limits on reimbursable costs under medicare. These limits may be applied to direct or indirect overall costs or to costs incurred for specific items or services based on estimates of the cost necessary in the efficient delivery of needed health services. Prior to 1982, the Secretary, pursuant to this authority, established limits on inpatient general routine operating costs (room, board, nursing, etc.) for hospitals, inpatient routine service costs for skilled nursing facilities, and per visit costs for home health agencies. These limits are often called "section 223 limits" which refers to the section of the Social Security Amendments of 1972 which authorized the Secretary to establish such limits.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) lowered the reimbursement limits from 112 percent to 108 percent of the mean labor-related and the mean non-labor-related costs of each comparison group of hospitals, effective for that portion of a hospital cost reporting period occurring after September 30, 1981.

The 1982 Tax Act modified the existing "section 223" limits by extending them to include ancillary and special care unit operating costs; setting the limits at 120 percent in fiscal year 1983, 115 percent in fiscal year 1984, and 110 percent in fiscal year 1985 and subsequent years; providing for case mix adjustments; and applying the limits on a per-admission or per-discharge basis. The changes are effective for hospital accounting years beginning on or after October 1, 1982.

Ceiling on rate of hospital cost increases

The 1982 Tax Act established a new 3-year ceiling on the allowable annual rate of increase in operating costs per case for inpatient hospital services. This ceiling takes the form of a cost per case target amount against which a hospital's incurred cost per case is compared. The target rate would be the previous year's allowable operating cost per case (or, after the first year, the previous year's target amount) increased by the percentage increase in the hospital wage and price index plus one percentage point. The law provides for incentive payments to hospitals which keep their costs below their target rates. A hospital with operating costs below its target rate would be paid its costs plus a bonus of 50 percent of the savings (not to exceed 5 percent of the target amount). A hospital with costs above the target amount would receive the target amount plus 25 percent of costs in excess of the target for the first 2 years of the limits. In the third year, hospitals would receive none of their costs in excess of the target.

Lower of costs or charges

Payments to providers under medicare are subject to the requirement that payment will be the lesser of the reasonable cost of services furnished to beneficiaries or the customary charges made by the institution for the same services. However, public providers (i.e., those operated by a Federal, State, county, city, or other local government agency) which render services free or at a nominal charge are paid their reasonable costs.

The 1982 Tax Act provided that the lesser-of-cost-or-charges provisions in the medicare statute would not apply in the case of services rendered by a class of providers, if the Secretary determines and certifies to Congress that such action will not increase program payments to that class of providers.

Capital expenditures limitation

Section 1122 of the Social Security Act authorizes the Secretary to exclude from medicare reimbursement to providers amounts in connection with certain capital expenditures if these expenditures have not been approved by the designated planning agency. Expenditures subject to review by the planning agency (generally the State Health Planning and Development Agency) are those which: (1) exceed $100,000; (2) change the bed capacity of the facility; or (3) substantially change the services of the facility with respect to which the expenditure is made. If the expenditure is deemed unnecessary, the Secretary is empowered to withhold funds for any amount attributable to depreciation, interest on borrowed funds, a return on equity capital (in the case of proprietary facilities) and other expenditures related to the capital expenditure.

Payment for inappropriate hospital services

In a number of cases, medicare beneficiaries who no longer require acute hospital services remain in the hospital because no long-term care bed (deemed medically necessary) is available in the community. Recent legislation provided for a reduction in program payments made in behalf of such individuals. The Omnibus Reconciliation Act of 1980 (Public Law 96-499) as modified by the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) provides that in the case of such individuals, hospitals will be reimbursed at a daily rate equal to the estimated adjusted average medicaid skilled nursing facility (SNF) rate. No reduction is to be made in the payment rate where the Secretary determines that there is no excess of hospital beds in either the individual hospital or in the area. No reduction is to be made in the case of a public hospital if: (1) such hospital itself has no excess beds and is part of a public hospital systems which, in the aggregate, has no excess of beds; or (2) such hospital, which is not part of a public hospital system in the area, has no excess of hospital beds.

One purpose of this provision is to encourage hospitals which have an excess of acute-care beds to convert some of these to long-term care beds. Public Law 96-499 also permitted the Secretary to enter into agreements with rural hospitals with less than 50 beds to permit them to use their beds on a "swing basis" as acute or long-term care beds as needed; reimbursement would be appropriately modified to reflect the lower cost of less-than-acute care.

REIMBURSEMENT TO SKILLED NURSING FACILITIES AND HOME HEALTH AGENCY SERVICES

In general terms, the rules used to determine the reasonable cost for inpatient hospital services are also utilized for determining such costs for services furnished by skilled nursing facilities (SNF's) and home health agencies. However, there are several significant differences; the major ones are as follows:

—All home health agencies are required to use the cost per visit by type of service method of apportioning costs (in lieu of the Departmental Method discussed earlier in this appendix). Under this method, the total allowable costs of all visits for each type of service (skilled nursing, home health aide, etc.) is divided by the total number of visits for that type of service. These average cost per visit amounts are multiplied by the number of covered medicare visits for each type of service. The products represent the cost medicare will recognize by type of service, subject to home health agency cost limits.

—Cost limits for home health agencies are set at a specified percentile of average per visit costs. Though the limits are established by type of service they are applied to each agency as a single aggregate limit based on the number of visits for each type of service. Public Law 97-35 reduced from the 80th to the 75th percentile the reimbursement limits applied to home health agency costs, effective October 1, 1981.

The 1982 Tax Act, Public Law 97-248, requires the Secretary to establish a single reimbursement limit for home health agencies based on the cost experience of free-standing agencies. Prior to this amendment, separate limits had been established for provider-based and free-standing home health agencies. The conference agreement on P.L. 97-248 directs the Secretary, in establishing the single limit, to make adjustments, as appropriate, for hospital-based home health agenices based on legitimate cost differences resulting from such factors as a more complex case-mix or the effects of medicare cost allocation requirements.

—Reimbursement limits for skilled nursing facilities have been established for inpatient general routine service costs. On September 30, 1982, the schedule of limits was published for cost reporting periods beginning on or after October 1, 1982. These limits are set at 112 percent of the average labor-related and average non-labor related costs of each comparison group.

Public Law 97-248 requires the Secretary to establish a single limit for SNFs based on the cost experience of freestanding facilities, subject to adjustments for hospital-based SNFs he deems appropriate.

—Public Law 97-248 also requires the Secretary to develop, in consultation with the Senate Finance Committee and the House Committee on Ways and Means, proposals for the prospective reimbursement of SNF's. The Secretary is required to report on these proposals to Congress by December 31, 1982. Such proposals have not, as of February 4, 1983, been sent to Congress.

REIMBURSEMENT TO PHYSICIANS

Under part B, physicians and other suppliers of services may choose on a bill-by-bill basis whether or not to accept an "assignment" under the terms of which they will be bound by the program's reimbursement policies. Reimbursement is made based upon "reasonable charges" for covered services. The reasonable charge for a specific service, in the absence of unusual medical complications, or certain other circumstances, is the lowest of: (a) the physician's "customary charge" for the service, (b) the "prevailing charge" for that service in the area, or (c) the physician's actual charge. Further, the law provides that the "reasonable charge" for a service may not exceed the charge applicable for a comparable service under comparable circumstances to the policyholders or subscribers of the "carriers" which administer the part B program.

The physician's "customary charge" for a service is the uniform amount which he charges in the majority of cases for a specific medical procedure or service.

A "prevailing charge" is the upper limit in a locality on the charges for a specific procedure. Carriers base their "prevailing charge" screens on the overall pattern of customary charges in the locality. The prevailing limit on the reasonable charge for a specific service is set at a level no higher than is necessary to cover the 75th percentile of customary charges.

"Customary" and "prevailing" charge screens are updated every July 1 and are based on charge data developed by the carrier for the prior calendar year.

Allowable increases in "prevailing charge" screens are further subject to an economic index limitation which is applied nationally and is based on the weighted average of changes in general earnings levels and changes in expenses of the kind incurred by physicians in office practice. The economic index values promulgated to date are shown in table 1.

TABLE 1.--ECONOMIC INDEX VALUES AND PERCENTAGE INCREASE OVER PRIOR PERIOD

Period	Rates	Percent [1]
July 1, 1973	1.000	....
July 1, 1975 to June 30, 1976	1.179	[2] 17.90
July 1, 1976 to June 30, 1977	1.276	8.23
July 1, 1977 to June 30, 1978	1.357	6.35
July 1, 1978 to June 30, 1979	1.426	5.08
July 1, 1979 to June 30, 1980	1.533	7.50
July 1, 1980 to June 30, 1981	1.658	8.15
July 1, 1981 to June 30, 1982	1.790	7.96
July 1, 1982 to June 30, 1983	1.949	8.88

[1] Percent increase over prior period.
[2] Large increase due to delay in implementation.

Thus, if the prevailing charge for a particular service was $100 in fiscal year 1973, the maximum recognized prevailing charge would be $117.90 for the period July 1, 1975–June 30, 1976, $127.60 for July 1, 1976–June 30, 1977, $135.70 for July 1, 1977–June 30, 1978, $142.60 for July 1, 1978–June 30, 1979, $153.30 for July 1, 1979–June 30, 1980, $165.80 for July 1, 1980–June 30, 1981, $179.00 for July 1, 1981–June 30, 1982, and $194.90 for July 1, 1982–June 30, 1983.

EXAMPLES OF "REASONABLE CHARGE" DETERMINATIONS

Situation: The prevailing charge for a specific procedure is $100 in a certain locality.

—Dr. A's bill is for $75, although he customarily charges $80.

—Dr. B's bill is his customary charge of $85.

—Dr. C's bill is for $90, although he customarily charges $80, and there are no special circumstances in the case.

—Dr. D's bill is his customary charge of $125.

The reasonable charge for Dr. A is $75, since under the law the reasonable charge cannot exceed the actual charge, even if it is lower than the customary charge and below the prevailing charge.

The reasonable charge for Dr. B is $85, because it is his customary charge and it does not exceed the prevailing charge for the locality.

The reasonable charge for Dr. C is $80, because that is his customary charge. Even though his actual charge falls below the prevailing charge, the reasonable charge cannot exceed his customary charge in the absence of special circumstances.

The reasonable charge for Dr. D is $100, the prevailing charge in the locality.

DEFINITION OF "ASSIGNMENTS"

Payment for physician services under medicare is made by the Part B carrier either to the doctor or to the beneficiary depending upon whether or not the physician has accepted assignment for the claim. In the case of nonassigned claims, payment is made directly to the beneficiary on the basis of an itemized bill, paid or unpaid. The beneficiary is responsible for the deductible and coinsurance amounts plus any difference between the physician's actual charge and the medicare-determined reasonable charge. Alternatively the beneficiary may assign (i.e., transfer) his rights to payment to the physician provided the physician is willing to accept medicare's reasonable charge determinaiton as the full charge for covered services. If the physician accepts assignment, he bills the program directly and is paid medicare's charge less any deductible and the coinsurance. He may not charge the beneficiary (nor can he collect from another party such as a private insurer) more than the applicable deductible and coinsurance amounts.

A physician may accept or refuse requests for assignments on a bill-by-bill basis, from different patients at different times, or from the same patient at different times. However, he is precluded from "fragmenting" bills for the purpose of circumventing reasonable charge limitations; he must either accept assignment or bill the patient for all of the services performed on one occasion. Additionally, when a physician treats a patient who is eligible for medicaid, he is essentially required to accept assignment. Total reimbursement for services provided to these dual eligibles is equivalent to the medicare-determined reasonable charge with medicaid picking up the required deductible and coinsurance amounts.

When a physician accepts assignment, the beneficiary is protected against having to pay any difference between medicare's determined reasonable charge and the physician's actual charge. Further, the patient never has to handle the paperwork in connection with the claim (though many doctors will do this for the patient in the case of non-assigned as well as assigned claims). However, only about half of medicare's claims are paid on an assignment basis. In the remaining cases, the beneficiary is liable for any difference between the actual charge and the medicare determined reasonable charge.

ASSIGNMENT RATE EXPERIENCE

The total number of assigned claims as a percentage of total claims received by medicare carriers is known as the total assignment rate. The net assignment rate is computed in the same manner except that it omits hospital-based physicians and group-practice prepayment plans which are considered assigned by definition. The net assignment rate has declined since 1968, the year the Department of Health, Education, and Welfare (now the Department of Health and Human Services) began reporting this data; however, the rate appears to have leveled off at about 50 percent. Table 2 shows the net assignment rates for calendar years 1968–81.

TABLE 2.—NET ASSIGNMENT RATES, BY YEAR, 1968–81

[In percent]

Calendar year	Net assignment rate
1968	59.0
1969	61.5
1970	60.8
1971	58.5
1972	54.9
1973	52.7
1974	51.9
1975	51.8
1976	50.5
1977	50.5
1978	50.6
1979	51.3
1980	51.5
1981	52.3

Sources: Ferry, Thomas P., et al. Physicians Charges Under Medicare: Assignment Rates and Beneficiary Liability. Health Care Financing Review. Winter 1980. p. 50; and Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations, Part B Carrier Workload Report: June 1982; August 1982.

The statistics included in table 2 are program-wide data. Net assignment rates also vary geographically. For example, in 1969 the net assignment rate ranged from a high of 73.7 percent in the Boston region to a low of 48.7 percent in the New York region. By 1981, the net assignment rate had declined in every region except two; New York and Philadelphia.

TABLE 3.—NET ASSIGNMENT RATES, BY REGION, 1969, 1980 AND 1981

[In percent]

Region	1969[1]	1980[2]	1981[2]	Change	
				1969–80	1980–81
Boston	73.7	67.4	66.9	−9.2	−0.7
New York	48.7	51.8	54.0	10.9	4.2
Philadelphia	57.3	61.6	62.5	9.1	1.5
Atlanta	58.8	52.3	53.2	−9.5	1.7
Chicago	54.5	47.6	48.8	−10.5	2.5
Dallas	71.1	50.3	52.0	−26.9	3.4
Kansas City	63.8	40.4	40.2	−37.0	−0.5
Denver	73.0	39.5	38.0	−47.9	−3.8
San Francisco	70.5	53.2	53.2	−24.5	....
Seattle	64.8	31.3	30.5	−52.9	−2.6

[1] From Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics. DHEW Pub. No. (SSA) 72-11702, HI-33, January 10, 1972. p. 6.

[2] Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations, Analysis of Medicare Part B Assignment Rates: Calendar year 1981. n.d.

These limitations have been accompanied by a substantial increase in the reasonable charge reduction rate—i.e., the percentage of claims for which the physician receives a reduced payment, because his bill is greater than the reasonable charge determination by the carrier. During the third quarter of 1969, the reasonable charge reduction rate for assigned claims stood at about 22 percent.[3] This meant that about one in five approved assigned claims resulted in a payment to a physician of an amount less than his billed charges. For calendar year 1981, the reasonable charge reduction rate among assigned claims (excluding those from hospital-based physicians) had reached 82.8 percent. In other words, over four-fifths of all assigned claims resulted in reduced payments from billed charges (amounting to $26.58 per approved claim). Physicians who do not accept assignments may not be affected by possible reductions in billed charges; the beneficiary must make up the difference. The reasonable charge reduction rate for such unassigned claims (excluding those from hospital-based physicians) during calendar year 1981 was also sizable—85.8 percent. The amount reduced per approved claim was $25.78.[4]

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[3] Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics. Assignment Rates for Supplementary Medical Insurance Claims, Calendar Years 1970-72, DHEW Pub. No. (SSA) 78-11702, HI-46, June 30, 1973. p. 7.

[4] Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations. Part B Carrier Reasonable Charge and Denial Activity Report: October-December 1981; April 1982.

APPENDIX E. BRIEF EXPLANATION OF MEDICAID PROGRAM AND INTERACTION WITH AFDC, SSI, AND MEDICARE PROGRAMS

Medicaid

Medicaid, authorized under title XIX of the Social Security Act, is a Federal-State matching program providing medical assistance for low-income persons who are aged, blind, disabled, or members of families with dependent children. Within Federal guidelines, each State designs and administers its own program. Thus there is substantial variation among the States in terms of persons covered, types, and scope of benefits offered, and amounts of payments for services. Public Law 97-35, the "Omnibus Budget Reconciliation Act of 1981," authorized reductions in Federal payments to the States over the fiscal year 1982-84 period and provided States with increased flexibility in designing and modifying their programs.

Medicaid eligibility is directly linked to eligibility under programs within the jurisdiction of the Committee on Ways and Means, namely AFDC and SSI. Further, some poor aged persons are covered under both the medicare and medicaid programs.

ELIGIBILITY

Eligibility for medicaid is linked to actual or potential receipt of cash assistance under the federally assisted aid to families with dependent children (AFDC) program and the Federal supplemental security income (SSI) program for the aged, blind, and disabled; there are two classes of eligibility under medicaid: categorically needy and medically needy.

CATEGORICALLY NEEDY

All States cover the categorically needy under their medicaid programs. In general, these are persons receiving assistance under AFDC or SSI. States have the option of limiting medicaid coverage of SSI recipients by requiring them to meet any more restrictive eligibility criterion that was in effect on January 1, 1972 (before implementation of SSI). States choosing the more restrictive criteria must allow applicants to deduct medical expenses from income in determining eligibility. Fifteen States currently employ more restrictive criteria.

These States are:

Connecticut
Hawaii
Illinois
Indiana
Minnesota
Missouri
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Ohio
Oklahoma
Utah
Virginia

States may also cover additional persons as categorically needy; these include persons receiving State supplement SSI payments

(SSP) or persons who would be eligible for cash assistance except that they are residents in medical institutions (such as skilled nursing facilities).

States must extend medicaid eligibility to aged, blind, and disabled persons who were eligible for medicaid in December 1973 as long as they meet the 1973 criteria; persons receiving mandatory State supplementary payments; persons who would be eligible for cash aid except for a State barrier disallowed by medicaid law; and persons actually receiving SSI and/or SSP payments who lose their eligibility for SSI or SSP solely because of a cost-of-living social security increase provided they would otherwise still be eligible for such aid. Medicaid coverage must also be extended for 4 additional months to certain families whose AFDC cash assistance has been terminated provided they had received AFDC for at least 3 of the preceding 6 months; this extension only applies to families whose AFDC coverage has been terminated due to increased income from or hours of employment.

States may extend medicaid to all financially eligible children under age 21, to unemployed fathers and their families, or to the children of unemployed fathers.

Public Law 97-35 made several changes in AFDC eligibility determinations under the medicaid program. Changes in treatment of earnings and other income and resources has forced many persons not only off the AFDC rolls but also off of automatic medicaid coverage. Some of these individuals may be able to regain coverage if their State offers medically needy protection; however, the range of available benefits may be less.

Public Law 97-35 amended prior law by limiting AFDC eligibility to children under 18, or at State option, under 19, but only if the child is a full-time student in a secondary or technical school and may reasonably be expected to complete the program before he reaches 19. The law provides that State medicaid plans may limit coverage to any person under age 19 who meets the definition of dependent child under AFDC. At State option, States may extend medicaid to all persons between the ages of 18 and 20 or any reasonable classification of such persons. Prior law required that medicaid include any person under age 21 who would be eligible for AFDC if he met the AFDC age or school attendance requirements.

Public Law 97-35 further prohibits States from making AFDC cash payments to a pregnant woman on the basis of her unborn child until the 6 month of pregnancy. States are, however, permitted to extend medicaid eligibility to these women from the time pregnancy has been medically verified.

MEDICALLY NEEDY

States may also cover the medically needy under their medicaid programs. These are persons whose income is slightly in excess of the standards for cash assistance, provided that: (1) they are aged, blind, disabled, or members of families with dependent children, and (2) their income (after deducting incurred medical expenses) falls below the State standard. As of December 1, 1982, 34 States and jurisdictions provided medically needy coverage. These States are:

Arkansas
California
Connecticut
Washington, D.C.
Guam
Hawaii
Illinois
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Montana
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Northern Mariana Islands
Oklahoma
Pennsylvania
Puerto Rico
Rhode Island
Tennessee
Utah
Vermont
Virgin Islands
Virginia
Washington
West Virginia
Wisconsin

Prior to enactment of Public Law 97-35, States having medically needy programs were required to offer comparable coverage to all four groups (that is, aged, blind, disabled, and members of families with children). Public Law 97-35 provides that, if a State offers medically needy coverage to any group, it must at a minimum provide ambulatory services to children and prenatal and delivery services for pregnant women.

MEDICARE-MEDICAID RELATIONSHIP

About 12 percent of aged and disabled medicare enrollees are also covered by State medicaid programs. While coverage under medicare part A (hospital insurance) is automatic for most aged and certain disabled having insured status under the social security system, coverage under medicare part B (physician services) requires the payment of a monthly premium. Most States make this payment for their medicaid eligibles under a buy-in agreement. While States may buy-in to medicare for both their cash-assistance and medically needy populations who are eligible for medicare, Federal matching for premium payments is only available for the cash assistance group. If a State does not buy-in to part B coverage, it cannot receive Federal matching payments for services that would have been covered under medicare if there had been a buy-in arrangement. Three States and two jurisdictions do not currently have a buy-in arrangement. These are: Louisiana, Oregon, Wyoming, Puerto Rico, and Northern Mariana Islands.

Medicaid basically supplements medicare for persons who are dually eligible. Medicare makes the primary payment while State medicaid expenditures are limited to payments for deductibles, coinsurance, and services not covered by medicare.

SERVICES

States are required to offer the following services to categorically needy recipients under their medicaid programs: inpatient and outpatient hospital services; laboratory and X-ray services; skilled nursing facility (SNF) services for those over age 21; home health services for those entitled to SNF care; early and periodic screening, diagnosis, and treatment (EPSDT) for those under age 21; family planning services and supplies; and physicians' services. They may also provide additional medical services such as drugs, intermediate care facility (ICF) services, eyeglasses, inpatient psychiatric care for individuals under age 21 or over 65. States are permitted to establish limitations on the amount of care provided under a service category (such as limiting the number of days of covered hospital care or number of physicians' visits).

Federal law, as amended by Public Law 97-35, establishes the following requirements for coverage of the medically needy: (1) if a State provides medically needy coverage to any group it must provide ambulatory services to children and prenatal and delivery services for pregnant women; (2) if a State provides institutional services for any medically needy group it must also provide ambulatory services for this population group; and (3) if the State provides medically needy coverage for persons in intermediate care facilities for the mentally retarded (ICF/MRs), it must offer to all groups covered in its medically needy program the same mix of institutional and noninstitutional services as required under prior law (that is, either all of the mandatory services or alternatively the care and services listed in 7 of the 17 paragraphs in the law defining covered services).

FINANCING

The Federal Government helps States share in the cost of medicaid services by means of a variable matching formula which is periodically adjusted. The matching rate, which is inversely related to a State's per capita income, can range from 50 percent to 83 percent though currently the highest rate is 77.36 percent. Federal matching for the territories is set at 50 percent with a maximum dollar limit placed on the amount each territory can receive. The Federal share of administrative costs is 50 percent for all States except for certain items where the authorized rate is higher.

Public Law 97-35 provides that the amount of Federal matching payments to which a State is otherwise entitled is to be reduced by 3 percent in fiscal year 1982, 4 percent in fiscal year 1983, and 4.5 percent in fiscal year 1984. A State can lower the amount of its reduction by 1 percentage point for each of the following: (1) operating a qualified hospital cost review program; (2) sustaining an unemployment rate exceeding 150 percent of the national average; and (3) demonstrating recoveries from fraud and abuse activities, and with respect to fiscal year 1982, third-party recoveries, equal to 1 percent of Federal payments.

A State is entitled to a dollar-for-dollar offset in its reductions if total Federal medicaid expenditures in a year fall below a specified target amount. In no case can the amount recovered exceed the total amount of reductions. In fiscal year 1982, the target amount is equal to 109 percent of the State's estimates for fiscal year 1981. In fiscal year 1983 and fiscal year 1984, the target amounts are equal to the fiscal year 1982 target increased or decreased by the same percentage as the increase or decrease in the index of the medical care component of the Consumer Price Index over the same period. The reduction and offset provisions do not apply to the territories or to Arizona which does not currently have a medicaid program.[1]

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[1] Beginning October 1, 1982, Arizona began implementation of a 3-year demonstration project under which a specified set of services will be provided to the indigent on a prepaid basis.

REIMBURSEMENT POLICY

States have considerable leeway in setting reimbursement levels for services. They are required to reimburse hospitals, skilled nursing facilities, and intermediate care facilities at rates that are reasonable and adequate to meet the cost which must be incurred by efficiently and economically operated facilities in order to meet applicable laws and quality and safety standards. In developing their payment rates for hospitals, States are required to take into account the situation of facilities which serve a disproportionate number of low-income patients. Further, hospital payment rates must be sufficient to assure that medicaid patients have reasonable access to services of adequate quality.

Practitioners and providers are required to accept payments under the program as payment in full for covered services except where nominal cost-sharing charges may be required. States may generally impose such charges with certain exceptions. They are precluded from imposing such charges on services for children under 18, services related to pregnancy, family planning or emergency services, HMO services for the categorically needy, and services provided to SNF or ICF inpatients who are required to spend all of their income for medical care except a personal needs allowance.

ADMINISTRATION

Medicaid is a State-administered program. At the Federal level, the Health Care Financing Administration (HCFA) of the Department of Health and Human Services is responsible for overseeing State operations.

Federal law requires the single State agency be charged with administration of the medicaid program. Generally, that agency is either the State welfare agency, the State health agency, or the umbrella human resources agency. The single State agency may contract with other State entities to conduct some program functions. Further, States may process claims for reimbursement themselves or contract with fiscal agents or health insuring agencies to process these claims.

PROGRAM DATA

Federal medicaid outlays are estimated (in the absence of legislative changes) at $21.2 billion in fiscal year 1984, a 9.1 percent increase over the $19.3 billion estimated for fiscal year 1983. The fiscal year 1984 amount represents a 364-percent increase over the $5.8 billion recorded 10 years earlier in fiscal year 1974. The Reagan fiscal year 1984 budget would lower Federal fiscal year 1984 outlays by $293 million.

The primary factor contributing to program increases has been inflation, particularly inflation in medical care prices. Changing recipient caseloads, and utilization as well as in the intensity of services have also contributed to past increases in program costs. However, this trend has been moderated somewhat as States have made cutbacks in their programs both in response to the Federal reductions authorized under Public Law 97-35 and to their own fiscal concerns.

TABLE 1.—MEDICAID FEDERAL AND STATE EXPENDITURES UNDER CURRENT LAW FOR FISCAL YEARS 1982, 1983, AND 1984

[In millions of dollars]

	Fiscal year 1982 (actual)	Fiscal year 1983 (estimate)	Fiscal year 1984 (estimate)
Payments for medical services:			
Federal	16,589	18,245	19,998
State	14,290	15,455	NA
Administrative cost:			
Federal	925	1,081	1,183
State	642	751	NA
Total:			
Federal	17,514	19,326	21,181
State	14,932	16,206	NA
Total program	32,446	35,532	NA

NA: Not available.

Source: 1984 President's Budget Appendix.

TABLE 2.—MEDICAID RECIPIENTS, FISCAL YEARS 1982, 1983 AND 1984

[In thousands]

	Fiscal year 1982 (actual)	Fiscal year 1983 (estimate)	Fiscal year 1984 (estimate)
Recipients:			
Age 65 and over	3,452	3,479	3,509
Blind	95	95	95
Disabled	2,821	2,899	2,970
Adults in AFDC families	5,220	5,335	5,431
Children under 21	9,375	9,593	9,729
Total, all recipients	21,764	22,233	22,584

Source: 1984 President's Budget Appendix.

TABLE 3.—MEDICAID PAYMENTS FOR CATEGORICALLY NEEDY AND MEDICALLY NEEDY, PRELIMINARY ESTIMATES, FISCAL YEAR 1981—Continued

	Amount (in millions)	Percent
Categorically needy:		
Receiving cash payments	$14,460.9	53.3
Aged	2,455.8	9.1
Blind	107.7	.4
Disabled	5,580.7	20.6
Children in AFDC families	2,994.1	11.0
Adults in AFDC families	3,322.5	12.3
Not receiving cash payments	4,795.6	17.7
Aged	3,182.2	11.7
Blind	25.2	.1
Disabled	1,247.9	4.6
Children in AFDC families	141.1	.5
Adults in AFDC families	81.2	.3
Other title XIX recipients	117.9	.4
Total, categorically needy	19,256.5	71.0
Medically needy:		
Aged	4,303.8	15.9
Blind	22.7	.1
Disabled	2,457.2	9.1
Children in AFDC families	340.9	1.3
Adults in AFDC families	335.0	1.2
Other title XIX recipients	392.7	1.4
Total, medically needy	7,852.3	29.0
Total	27,108.8	100.0

Note.—Totals may not add due to rounding.

Source: Health Care Financing Administration (HCFA), DHHS, unpublished tables.

TABLE 4.—MEDICAID PAYMENTS BY BASIS OF ELIGIBILITY, PRELIMINARY ESTIMATES, FISCAL YEAR 1981

	Amount (in millions)	Percent	Average payment per recipient
Aged	$9,941.8	36.7	$2,921
Blind	155.6	0.6	1,806
Disabled	9,285.8	34.3	3,273
Dependent children under 21	3,476.1	12.8	375
Adults in families with dependent children	3,738.8	13.8	763
Other	510.6	1.8	686
Total	27,108.8	100.0	1,321

Note: Totals may not add due to rounding.

TABLE 5.—MEDICAID PAYMENTS BY SERVICE CATEGORY, FISCAL YEAR 1981

	Amount (in millions)	Percent
Inpatient hospital	$8,098.5	29.9
General	(7,158.6)	(26.4)
Mental [1]	(939.9)	(3.5)
Skilled nursing facilities	3,992.6	14.7
Intermediate care facilities [1]	7,473.1	27.6
Facilities for mentally retarded [1]	(2,955.0)	(10.9)
Other [1]	(4,518.1)	(16.7)
Physician	2,098.0	7.7
Dental [1]	542.6	2.0
Other practitioner [1]	228.1	0.8
Outpatient hospital	1,337.0	4.9
Clinic [1]	373.4	1.4
Lab and X-ray	147.3	0.5
Home health	428.8	1.6
Prescribed drugs [1]	1,530.3	5.6
Family planning	136.2	0.5
Early and periodic screening	64.0	0.2
Rural health clinic	4.1	*
Other [2]	654.8	2.4
Total	27,108.8	100.0

[1] Optional services.

[2] Predominantly optional services.

* Less than 0.1.

Note.—Totals may not add due to rounding.

Source: HCFA, DHHS, unpublished tables.

TABLE 6.—AVERAGE EXPENDITURE PER RECIPIENT, BY STATE, PRELIMINARY ESTIMATE, FISCAL YEAR 1981

	Amount		Amount
Alabama	$856	Montana	$1,482
Alaska	1,728	Nebraska	1,642
Arkansas	1,249	Nevada	2,040
California	941	New Hampshire	1,825
Colorado	1,483	New Jersey	1,197
Connecticut	1,709	New Mexico	941
Delaware	1,026	New York	2,344
District of Columbia	1,323	North Carolina	1,250
Florida	907	North Dakota	1,914
Georgia	1,205	Ohio	1,174
Hawaii	1,072	Oklahoma	1,271
Idaho	1,347	Oregon	1,145
Illinois	1,190	Pennsylvania	1,151
Indiana	1,887	Rhode Island	1,474
Iowa	1,399	South Carolina	979
Kansas	1,469	South Dakota	1,921
Kentucky	875	Tennessee	1,163
Louisiana	1,058	Texas	1,621
Maine	1,018	Utah	1,454
Maryland	1,062	Vermont	1,252
Massachusetts	1,500	Virginia	1,296
Michigan	1,307	Washington	1,280
Minnesota	2,098	West Virginia	601
Mississippi	720	Wisconsin	1,874
Missouri	1,037	Wyoming	1,475
		United States	1,321

Source: HCFA, DHHS, unpublished tables.

TABLE 7.—AVERAGE EXPENDITURE PER RECIPIENT FOR CATEGORICALLY NEEDY PERSONS WHO ARE ALSO RECEIVING AN SSI OR AFDC PAYMENT, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1981

[In dollars]

State	Total	SSI aged	SSI blind	SSI disabled	AFDC child	AFDC adult
United States	869	1,274	1,543	2,557	364	778
Alabama	593	625	910	1,165	243	613
Alaska	982	1,747	2,480	3,291	299	823
Arkansas	894	960	1,615	2,131	283	682
California	817	848	1,436	2,002	347	769
Colorado	1,247	2,210	8,706	4,276	287	938
Connecticut	597	967	1,534	2,146	395	797
Delaware	753	1,803	768	2,701	328	656
District of Columbia	1,162	3,208	1,271	3,594	481	1,136
Florida	686	868	1,115	1,479	268	609
Georgia	810	806	1,187	1,762	298	839
Hawaii	696	1,557	1,650	3,278	333	824
Idaho	505	695	430	1,385	315	640
Illinois	716	1,913	1,565	2,600	438	942
Indiana	1,021	3,328	2,460	4,839	276	911
Iowa	915	1,364	1,389	3,629	370	862
Kansas	1,013	1,778	1,935	4,441	382	867
Kentucky	679	770	1,069	1,640	263	624
Louisiana	774	982	1,358	1,893	267	634
Maine	584	852	833	1,534	281	610

Maryland	738	1,618	1,566	1,812	404	778
Massachusetts	910	1,466	2,650	3,549	352	660
Michigan	749	1,026	868	1,933	481	821
Minnesota	1,116	3,397	3,994	6,615	359	787
Mississippi	366	462	674	847	233	506
Missouri	531	758	917	1,184	324	688
Montana	848	1,602	2,726	2,701	289	764
Nebraska	1,125	2,223	4,087	3,837	408	818
Nevada	1,430	1,239	1,874	4,920	504	1,099
New Hampshire	578	685	1,085	1,764	276	503
New Jersey	765	1,810	1,786	2,672	363	735
New Mexico	779	799	2,662	2,081	313	771
New York	1,423	2,575	1,677	4,805	510	951
North Carolina	821	1,188	1,900	2,322	282	743
North Dakota	1,156	2,505	767	2,931	544	981
Ohio	765	2,081	1,743	2,814	332	791
Oklahoma	723	1,732	1,645	2,333	226	420
Oregon	631	2,417	1,816	2,045	251	695
Pennsylvania	766	1,821	1,278	2,708	294	645
Rhode Island	816	2,747	2,330	1,713	291	606
South Carolina	590	708	1,148	1,464	168	526
South Dakota	1,101	1,616	1,261	3,491	373	757
Tennessee	851	891	1,337	1,678	419	743
Texas	1,091	1,190	1,642	2,900	327	1,009
Utah	972	2,645	2,855	5,837	281	737
Vermont	857	1,389	1,279	3,270	301	598

TABLE 7.—AVERAGE EXPENDITURE PER RECIPIENT FOR CATEGORICALLY NEEDY PERSONS WHO ARE ALSO RECEIVING AN SSI OR AFDC PAYMENT, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1981—Continued

[In dollars]

State	Total	SSI aged	SSI blind	SSI disabled	AFDC child	AFDC adult
Virginia	874	1,473	1,424	2,526	318	776
Washington	865	1,279	1,255	2,161	341	730
West Virginia	449	597	913	980	213	442
Wisconsin	1,144	1,505	4,862	4,262	510	863
Wyoming	813	1,984	2,916	2,416	270	915

Source: HCFA, DHHS, unpublished tables.

TABLE 8.—AVERAGE EXPENDITURE PER RECIPIENT FOR CATEGORICALLY NEEDY PERSONS WHO ARE NOT RECEIVING A CASH PAYMENT, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1981

[In dollars]

State	Noncash total	Noncash aged	Noncash blind	Noncash disabled	Noncash AFDC child	Noncash AFDC adult	Noncash other title XIX
United States	2,864	4,839	2,461	4,880	340	395	857
Alabama	1,738	4,739	3,261	6,477	138	181	310
Alaska	10,013	12,028	8,821	16,635	582	613	1,282
Arkansas	4,529	4,378	5,694	7,654	0	0	741
California	156	48	5	31	135	197	0
Colorado	1,495	2,906	6,153	3,926	169	350	1,023
Connecticut	0	0	0	0	0	0	0

Delaware	2,751	7,087	254	7,967	386	347	320
District of Columbia	1,654	357	0	3,150	231	277	0
Florida	2,889	4,793	3,410	5,695	283	174	0
Georgia	3,280	4,318	4,911	5,896	243	201	435
Hawaii	4,017	9,012	2,956	9,521	448	486	520
Idaho	3,773	4,067	1,552	5,680	217	233	365
Illinois	581	0	0	0	434	940	0
Indiana	5,043	5,392	4,158	5,797	700	967	0
Iowa	3,362	4,386	4,270	9,717	458	303	904
Kansas	213	2	0	247	178	257	568
Kentucky	0	0	0	0	0	0	0
Louisiana	3,680	4,799	6,125	7,659	189	231	0
Maine	2,721	5,580	2,115	4,288	380	339	518
Maryland	0	0	0	0	0	0	0
Massachusetts	2,469	0	2,469	0	0	0	0
Michigan	0	0	0	0	0	0	0
Minnesota	8,280	8,148	10,239	12,543	286	484	0
Mississippi	1,507	1,990	1,305	1,506	248	380	360
Missouri	2,760	3,430	4,188	2,987	375	738	622
Montana	3,072	5,913	557	7,761	391	758	668
Nebraska	886	0	0	0	345	392	1,263
Nevada	4,060	5,829	4,478	6,614	164	202	716
New Hampshire	6,124	7,293	8,302	7,581	458	477	696
New Jersey	4,191	7,658	4,269	7,974	420	879	2,779
New Mexico	3,058	5,449	19,127	10,205	180	352	522
New York	0	0	0	0	0	0	0
North Carolina	2,048	5,873	8,547	8,193	402	860	2,183

TABLE 8.—AVERAGE EXPENDITURE PER RECIPIENT FOR CATEGORICALLY NEEDY PERSONS WHO ARE NOT RECEIVING A CASH PAYMENT, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1981—Continued

[In dollars]

State	Noncash total	Noncash aged	Noncash blind	Noncash disabled	Noncash AFDC child	Noncash AFDC adult	Noncash other title XIX
North Dakota	334	817	21	251	106	56	101
Ohio	3,169	4,900	3,054	3,495	116	179	0
Oklahoma	3,264	6,159	4,647	9,544	1,379	1,774	1,603
Oregon	2,657	3,837	10,645	6,604	229	307	846
Pennsylvania	2,009	5,175	14	3,923	218	460	394
Rhode Island	6,071	6,307	3,203	5,634	0	0	0
South Carolina	669	1,745	736	1,666	97	245	214
South Dakota	3,638	5,273	2,622	9,027	178	225	462
Tennessee	630	7,368	480	15,324	290	319	0
Texas	4,216	4,942	5,599	8,554	184	287	0
Utah	2,175	4,640	5,582	6,538	311	672	0
Vermont	1,832	5,093	1,871	5,965	438	471	889
Virginia	3,913	6,393	4,868	4,734	278	474	351
Washington	5,203	5,447	6,710	4,482	309	459	0
West Virginia	1,749	5,451	4,136	2,618	211	466	0
Wisconsin	4,477	7,969	8,438	10,478	670	586	1,334
Wyoming	7,561	7,504	4,038	14,013	5,716	1,825	710

Source: HCFA, DHHS, unpublished tables.

TABLE 9.—AVERAGE EXPENDITURE PER RECIPIENT, FOR MEDICALLY NEEDY PERSONS, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1981

[In dollars]

State	Total	Aged	Blind	Disabled	AFDC child	AFDC adult	Other title XIX
United States	2,943	5,260	3,699	6,149	549	782	648
Alabama	0	0	0	0	0	0	0
Alaska	0	0	0	0	0	0	0
Arkansas	778	340	2,725	1,870	331	954	688
California	1,244	3,044	2,175	3,047	364	650	628
Colorado	0	0	0	0	0	0	0
Connecticut	4,901	5,770	5,486	6,195	1,475	1,201	428
Delaware	0	0	0	0	0	0	0
District of Columbia	2,435	2,458	213,676	5,577	1,129	1,585	0
Florida	0	0	0	0	0	0	0
Georgia	0	0	0	0	0	0	0
Hawaii	1,374	2,497	851	2,030	287	550	484
Idaho	0	0	0	0	0	0	0
Illinois	3,194	3,245	1,918	4,408	794	1,188	448
Indiana	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	0
Kansas	2,590	3,160	3,044	4,366	570	864	2,924
Kentucky	1,226	4,335	3,241	4,694	275	591	445
Louisiana	1,027	361	433	2,106	373	810	0
Maine	473	602	396	1,059	249	693	0

TABLE 9.—AVERAGE EXPENDITURE PER RECIPIENT, FOR MEDICALLY NEEDY PERSONS, BY BASIS OF ELIGIBILITY, BY STATE, PRELIMINARY ESTIMATES, FISCAL YEAR 1981—Continued

[In dollars]

State	Total	Aged	Blind	Disabled	AFDC child	AFDC adult	Other title XIX
Maryland	2,616	5,113	2,828	3,444	626	847	0
Massachusetts	3,938	8,024	3,930	6,670	262	461	919
Michigan	6,822	6,970	14,463	10,101	4,710	2,287	471
Minnesota	3,523	5,576	4,305	6,771	780	889	1,103
Mississippi	0	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0
Montana	1,361	723	646	2,486	483	877	0
Nebraska	4,584	4,149	3,545	7,304	486	1,736	1,017
Nevada	0	0	0	0	0	0	0
New Hampshire	834	790	776	1,769	302	669	210
New Jersey	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0
New York	6,849	8,895	5,367	12,426	883	1,140	511
North Carolina	3,286	4,564	5,638	5,319	486	1,192	6,039
North Dakota	3,351	5,310	4,399	3,707	524	1,076	1,159
Ohio	0	0	0	0	0	0	0
Oklahoma	3,593	4,398	2,415	5,472	1,896	2,036	775
Oregon	0	0	0	0	0	0	0
Pennsylvania	3,193	4,858	11,317	11,791	627	705	892
Rhode Island	1,265	1,676	1,550	1,281	333	505	444
South Carolina	0	0	0	0	0	0	0

South Dakota	0	0	0	0	0	0	0
Tennessee	3,515	4,759	1,788	3,920	501	1,020	607
Texas	0	0	0	0	0	0	0
Utah	2,571	4,231	3,683	4,883	466	1,038	1,679
Vermont	3,188	4,276	0	3,956	666	1,027	0
Virginia	2,472	3,836	2,550	3,931	427	693	728
Washington	674	492	913	1,813	531	709	0
West Virginia	470	474	982	1,139	195	416	0
Wisconsin	1,222	2,482	9,348	1,394	576	659	1,614
Wyoming	0	0	0	0	0	0	0

Source: HCFA, DHHS, unpublished tables.

Section 5. OASDHI Financing

OVERVIEW

This section presents a discussion of social security financing, divided into 5 main parts: a summary of the current financing problem; current law; a brief history of the financing structure, including a discussion of the impact of indexing and of the 1977 and later amendments; the status of the OASDHI (old age, survivors, disability, and hospital insurance) trust funds under four alternative economic scenarios over the period from 1983 to 1989; and a brief discussion of the long-term financial status of OASDHI and the factors involved in estimating trust fund experience 75 years into the future.

SUMMARY OF CURRENT FINANCING PROBLEM

Interfund borrowing

On December 31, 1982, the old-age and survivors' insurance (OASI) trust fund borrowed $13.5 billion from the disability insurance (DI) and health insurance (HI) trust funds in order to assure the timely payment of benefits through June 1983. Since October, OASI has borrowed a total of $17.5 billion from DI and HI. The borrowing authority has now expired, and unless legislation is enacted, the OASI fund will be unable to meet the July 1983 payment on schedule. Even if additional borrowing authority were approved, the three trust funds combined would be unable to make benefit payments on time by early to mid-1984.

The trust funds receive revenue from tax collections in a fairly steady stream throughout each month. However, cash benefit payments go out in the first 5 days of the month. Thus, each fund must have sufficient reserves on hand at the beginning of each month—approximately 8-12 percent of the year's outlays—to cover the benefit payments, no matter how much revenue it will receive later on in the month. During periods when tax revenues fall short of the amount necessary to pay benefits, reserves must be available to make up the shortfall.

Short-term cash needs, 1983-1989

The exact amount of the cash needs of the program through the end of this decade will depend heavily on how the economy performs, and on what level of reserves is desired. At a minimim the reserves must be high enough at the beginning of each month to make benefit payments. That means assuring sufficient reserves at the beginning of each year to insure against temporary drops in income during the year as well as against longer periods of economic downturn.

Under fairly pessimistic economic assumptions for the rest of this decade, the National Commission on Social Security Reform has estimated that the OASDI trust funds will need between $150-200 billion through 1989, to guarantee benefit payments and to build up a minimal reserve of 15 percent of a year's benefit payments by 1989. The HI fund faces no immediate problem, but a more serious shortfall develops beginning in 1987. This HI shortfall is projected to increase each year so that by 1990 or so, the fund will be permanently depleted, with no projected recovery.

Long-term outlook

(1) *1990-2015.* Under "intermediate" economic assumptions, the OASI system begins to accumulate reserves in the late 1990's. This favorable situation is predicted largely because the small depression era generation will be retiring just as the large "baby boom" generation reaches peak earning years, thus generating larger payroll tax revenues. The DI fund also builds up reserves through this period; the HI system is projected to be depleted at the beginning of this decade due primarily to continued increases in hospital costs.

It is important to note that the surpluses projected for the combined OASDI funds in the 1990's occur only under intermediate or optimistic economic assumptions. If the economy does not begin to grow at the rates assumed in the intermediate forecast, these surpluses will not materialize. However, most of the legislative changes that address the short-term problem will have a positive effect during the 1990's as well—providing some protection against the possibility of continued economic stagnation.

(2) *2015-2050.* The OASI fund again faces growing financing problems beginning in 2015 when trust fund income does not meet annual outgo. This shortfall persists through 2050. The reserves built up in the 1990's would, under intermediate assumptions, support benefit payments until about 2025. However, the OASDI funds combined are rapidly depleted after that and will be insufficient to meet benefit payments around the year 2030. Over the entire 75-year projection period (1982-2055), the OASDI deficit, under the 1982 Trustees' Report assumptions, taking into account legislative changes during 1982, is 1.80 percent of payroll. This means that the tax rate would have to be increased now by 0.91 percent for employers and employees each (in addition to increases already scheduled through 1990) to cover benefit payments through 2055.

CURRENT LAW

The social security progams (OASDHI) are financed through the payroll tax on a pay-as-you-go basis; that is, current income to the system goes out directly to meet current benefit obligations. Any funds collected in excess of the amount needed to make benefit payments are held in the trust funds as reserves, and are invested in Government securities. These reserves serve as a cushion against temporary shortfalls in revenues or large increases in outlays due to economic fluctuations; the reserves also provide interest revenues to the trust funds.

Trust fund income is dependent on the amount of wages covered by social security on which contributions are made according to the payroll tax rate for each year. Benefit outlays are made under a permanent appropriation, in the amount to which beneficiaries are entitled based on their earnings records, and are not limited to the amount of revenue flowing into the trust fund from contributions and interest. If, as has occurred in recent years, yearly income is insufficient to cover benefit payments, reserve funds are used to make up the difference. There is no statutory or regulatory level required for the reserve funds.

The payroll tax (known as FICA, or Federal Insurance Contributions Act) is levied on wages in employment covered by social security, with portions of the total tax rate allocated by law to each of the three trust funds (OASI, DI and HI). All persons who work in covered employment pay this mandatory tax on their earnings up to a maximum dollar amount (known as the contribution and benefit base, or wage base). Employers pay an equal tax rate for these workers. Self-employed workers pay social security taxes that are about 75 percent of the combined employer-employee rate for OASDI; the self-employed HI rate is the same as the employee rate. Under current law, as of January 1983, the tax paid by both the employer and employee is 6.7 percent of the first $35,700 of earnings (self-employed persons pay 9.35 percent). Future increases in the tax rates are set in the law, while increases in the wage base are automatic, based on the increase in average wages in the economy (excluding self-employment earnings) each year. Table 1 summarizes the current payroll tax schedule:

TABLE 1.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR EMPLOYERS AND EMPLOYEES EACH AND TAXABLE EARNINGS BASES, BY INDIVIDUAL AND COMBINED TRUST FUNDS, 1977 AND AFTER

Calendar year	Employee and employer rates, each (percent)					Taxable earnings base
	OASI	DI	OASDI combined	HI	OASDHI combined	
1977	4.375	0.575	4.950	0.900	5.850	$16,500
1978	4.275	.775	5.050	1.100	6.050	17,700
1979	4.330	.750	5.080	1.050	6.130	22,900
1980	4.520	.560	5.080	1.050	6.130	25,900
1981	4.700	.650	5.350	1.300	6.650	29,700
1982	4.575	.825	5.400	1.300	6.700	32,400
1983	4.575	.825	5.400	1.300	6.700	35,700
1984	4.575	.825	5.400	1.300	6.700	[1] 37,500
1985	4.750	.950	5.700	1.350	7.050	[1] 40,500
1986	4.750	.950	5.700	1.450	7.150	[1] 43,800
1990 and after	5.100	1.100	6.200	1.450	7.650	46,800

[1] Automatic increase based on statutory formula and Intermediate II–B assumptions, 1982 trustee's report.

TABLE 2.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR SELF-EMPLOYED INDIVIDUALS, BY INDIVIDUAL AND COMBINED TRUST FUNDS, 1980–90

Calendar year	OASI	DI	OASDI combined	HI	OASDHI combined
1980	6.2725	0.7775	7.05	1.05	9.30
1981	7.0250	0.9750	8.00	1.30	9.30
1982–84	6.8125	1.2375	8.05	1.30	9.35
1985	7.1250	1.4250	8.55	1.35	9.90
1986	7.1250	1.4250	8.55	1.45	10.00
1990 and after	7.6500	1.6500	9.30	1.45	10.75

In 1940, approximately 24 million persons worked in employment covered by the social security system. Over the years, major categories of workers were brought under the system, such as State and local government employees (on a voluntary basis), regularly employed farm and domestic workers, members of the armed services, and self-employed professionals such as physicians and lawyers. In 1982, over 116 million workers and 95 percent of all jobs in the United States were covered under social security. The present law social security wage base, as revised by the 1977 Amendments and updated automatically according to wage increases in the economy, provides that about 90 percent of all covered earnings are taxable. Table 3 shows the social security taxes paid by workers at various wage levels in selected years from 1960 through 1990.

TABLE 3.—SOCIAL SECURITY TAXES PAID BY WAGE AND SALARIED WORKERS, IN SELECTED YEARS, 1960–90

	Amount of worker's social security tax liability in calendar years						
	1960	1970	1975	1981	1982	1986 [1]	1990 [1]
Worker with annual wages of:							
$5,000	$144	$240.00	$292.50	$332.50	$335.00	$357.50	$382.50
$10,000	144	374.00	824.85	665.00	670.00	715.00	765.00
$20,000	144	374.00	824.85	1,330.00	1,340.00	1,430.00	1,530.00
$30,000	144	374.00	824.85	1,975.05	2,010.00	2,145.00	2,295.00
$40,000	144	374.00	824.85	1,975.05	2,170.80	2,860.00	3,060.00
$50,000	144	374.00	824.85	1,975.05	2,170.80	3,346.20	3,825.00

[1] Based on 1986 and 1990 taxable earnings bases of $46,800 and $61,500 projected under the intermediate II–B assumptions of the 1981 trustees' report, adjusted for a difference between the estimated and actual earnings base which occurred in 1982.

Source: Congressional Research Service.

While coverage is compulsory for most types of employment, approximately 8 million jobs are exempt from coverage under social security. The majority of these noncovered positions are in the Federal Government, whose employees are not generally allowed to participate in social security, and in State and local governments and non-profit organizations, which participate in social security on a voluntary basis. Beginning January 1, 1983, Federal employees are covered under the medicare portion of the social security tax. About 75 percent of State and local government jobs (9 million out of 12.5 million jobs), and about 80 percent of non-profit organization jobs are covered (see table 4). Table 5 shows State-by-State data on State and local government jobs covered as of March 1979.

TABLE 4.—SOCIAL SECURITY COVERAGE [1]

[In millions]

Occupational group	Number of employees (in millions)	Covered	
		Number	Percent
Specifically exempt from OASI coverage:			
Federal Civilian employees	2.7	0.2	[2] 7.4
Voluntary coverage:			
State and local government	13.1	9.3	71.0
Nonprofit organization	6.5	5.1	78.5
Mandatorily covered:			
Industry and commerce	77.0	76.8	99.7
Farm [3]	2.0	1.5	75.0
Domestic [3]	1.9	.5	26.3
Self-employed [3]	8.6	6.5	75.6

[1] Estimates based on latest available data (1980). Estimates for some groups, such as non-profit employees, are subject to error due to rapid turnover and the number of employees holding more than one job.

[2] Federal employees who are temporary or who work for quasi-Federal agencies such as TVA are covered.

[3] Mandatorily covered if special minimum coverage requirements met. Special minimum requirements for coverage generally relate to amount of wages earned—for example, domestic employees must receive at least $50 from one employer during a calendar quarter for those wages to be covered.

Source: Office of Research and Statistics, SSA.

TABLE 5.—ESTIMATES OF SOCIAL SECURITY COVERAGE OF STATE AND LOCAL GOVERNMENT JOBS, MARCH 1979

State [1]	Number of jobs	Number of jobs covered	Percent covered
Total	12,983	9,259	71
1. California	1,442	562	39
2. New York	1,093	1,045	96
3. Texas	751	428	57
4. Illinois	589	237	40
5. Pennsylvania	570	570	100
6. Ohio	567	....	0
7. Michigan	551	505	92
8. Florida	498	427	86
9. New Jersey	422	422	100

TABLE 5.—ESTIMATES OF SOCIAL SECURITY COVERAGE OF STATE AND LOCAL GOVERNMENT JOBS, MARCH 1979—Continued

State [1]	Number of jobs	Number of jobs covered	Percent covered
10. North Carolina	357	323	90
11. Georgia	345	279	81
12. Massachusetts	337	....	0
13. Virginia	307	307	100
14. Indiana	293	263	90
15. Wisconsin	284	256	90
16. Missiouri	279	198	71
17. Minnesota	258	182	71
18. Tennessee	253	207	82
19. Maryland	252	252	100
20. Louisiana	244	49	20
21. Washington	230	230	100
22. Alabama	218	218	100
23. Colorado	185	45	24
24. Kentucky	181	137	75
25. Iowa	180	175	98
26. Oklahoma	179	155	87
27. South Carolina	177	177	100
28. Connecticut	161	97	60
29. Kansas	161	146	90
30. Oregon	161	154	96
31. Arizona	157	147	93
32. Mississippi	150	148	99
33. Arkansas	119	114	96
34. Nebraska	111	106	95
35. West Virginia	109	104	96
36. New Mexico	87	71	81
37. Utah	86	78	91
38. Maine	72	23	32
39. Montana	67	48	71
40. Idaho	60	58	96
41. Hawaii	58	41	71
42. New Hampshire	53	47	89
43. Rhode Island	52	38	74
44. Nevada	49	3	6
45. South Dakota	47	42	90
46. North Dakota	44	38	85
47. Alaska	36	25	70
48. Wyoming	35	32	91
49. Delaware	34	22	63
50. Vermont	28	28	99

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[1] States are ranked by number of jobs.

Source: Research and Statistics Note No. 3, July 3, 1982, Office of Research and Statistics.

Groups covered on a voluntary basis are allowed to withdraw from the program after giving two years' notice to the Social Security Administration and the Internal Revenue Service. Once an entity has terminated coverage, it cannot become covered again in the future. From 1959 through 1981, approximately 967 entities have terminated coverage, involving approximately 242,277 employees (these entities include only one State government, Alaska). When coverage of a group of employees is terminated, the employees retain the quarters of coverage they have already earned, so that in many cases employees still qualify for social security retirement benefits even though they are no longer paying taxes into the system.

Currently, there are 634 pending termination requests from State and local governments, involving approximately 227,284 employees; these requests can be withdrawn at any time during the 2-year waiting period until the end of the year in which the termination would be effective. Since 1977, 265 such requests involving 571,901 employees have been withdrawn.

HISTORY OF FINANCING STRUCTURE

Current cost funding

The social security system has been financed from its inception on a "pay-as-you-go" basis; i.e., current income to the system pays for current benefits. If the system were to be "advance funded" (i.e., reserves adequate to pay all benefits to which current workers and beneficiaries are entitled), an enormous amount of capital would have to be held by the trust funds in the form of public or private debt obligations. It has been thought preferable to avoid having the Federal Government hold such large amounts of public or private capital; therefore, financing has been provided through congressionally approved payroll tax increases from time to time based on projections of the current revenues needed to meet current benefit costs. While such projections covered periods of 50 to 75 years into the future, they typically did not envision tax increases going into effect until they were actually needed to meet the immediate benefit expenditures of the time. Table 6 provides a summary of major past increases in tax rates in the program.

TABLE 6.—SELECTED TAX TABLE AND WAGE BASE INCREASES, 1937–81

	Wage base	Contribution rate (percent) employer/employee each			
		Total	OASI	DI	HI
1937	$3,000	1.0	1.0		
1950	3,000	1.5	1.5		
1955	4,200	2.0	2.0		
1959	4,800	2.5	2.25	0.25	
1966	6,600	4.2	3.5	.35	0.35
1970	7,800	4.8	3.65	.55	.60
1974	13,200	5.85	4.375	.575	.90
1978	17,700	6.05	4.275	.775	1.00
1979	22,900	6.13	4.33	.75	1.05
1981	29,700	6.65	4.525	.825	1.30

Impact of indexing benefit structure

In 1972, Congress approved both a major one-time OASDI benefit increase of 20 percent and a new system for increasing OASDI benefits automatically each year according to increases in the cost of living, beginning in 1975. Before this method of automatic indexing was enacted, benefit increases were approved on an ad hoc basis, and financing was reexamined each time to assure revenues were adequate to meet benefit payments. In fact, financing was based on conservative estimates of the general performance of the economy—a "level-earnings" methodology, which assumed that the only future increase in revenues to the trust fund would come from growth in total covered wages resulting from having more workers in the economy as the population increased.

This methodology repeatedly produced unplanned surpluses under existing tax rates, as the economy expanded and the level of wages increased at the same time as the total number of workers increased. The financing of the expansion of benefits and benefit levels throughout the 1960's was largely based on these projections of surpluses in the funds.

With the advent of indexation of OASDI benefits, it became necessary to base projections of trust fund experience on dynamic economic assumptions; i.e., assuming increases in inflation and wage levels in order to more accurately reflect the future rise in benefit levels and the wage base that would occur automatically. Retaining the old system of static economic assumptions could have resulted in underestimating program costs and revenues. However, use of dynamic assumptions in conjunction with a fully indexed benefit structure means that projections of program experience are much more difficult to make accurately, because the benefit levels and trust fund income as well as every set of economic assumptions are highly sensitive to changing economic conditions, particularly near-term fluctuations.

Compounding this difficulty in predicting economic patterns was an unintended effect of the way automatic benefit increases were applied to existing and new benefits, which caused benefits to increase much more rapidly, in comparison to pre-retirement earnings, than had been anticipated. Thus, at the same time as the economy was performing more poorly than had been predicted, it was realized that benefits would rise with the automatic provisions more rapidly than anticipated. Beginning with its report of 1973, the Social Security Board of Trustees repeatedly forecast an adverse financial situation for the program both in the near term (late 1970's and early 1980's) and the long run, i.e., until the middle of the next century. The short-term forecast of the 1977 Trustees' Report showed DI fund reserves falling to zero in late 1978, and OASI reserves being used up by 1983; the same report showed a long-term deficit for OASDI (over the 75-year period) of 8.2 percent of taxable payroll, which represented an average shortfall in revenues of more than 40 percent of the costs of the program.

Effect of the 1977 amendments

As a result of these projections the Congress enacted the 1977 amendments, which improved forecasts of the financial condition of the program significantly. At the time of enactment, the Social Security actuaries projected that the OASDI program would be in a surplus position through the next 25-year period. The improved short-run outlook was brought about by legislated changes on the revenue side, estimated at that time to add some $80 billion in new revenues to the OASDI programs in the 1978–83 period, as well as changes in benefits resulting in net reductions of outgo of $7.5 billion during that same period.

The revenue increases were the result of: (1) ad hoc increases in the taxable earnings base above the increases that would have occurred automatically; (2) a reallocation to OASDI of a portion of the already scheduled increases in the HI tax rate; (3) increases in the overall OASDI tax rate beginning in 1979; and (4) increases in the self-employment tax rate bringing it up to 1½ times the employee rate. The principal benefit changes affecting outgo included (among other provisions): (1) revamping of the OASDI benefit formula to eliminate overcompensation for inflation in the future—referred to as the "decoupling" provisions; (2) correction of a major technical flaw in computing benefit increases for early retirees; and (3) elimination of retroactive benefits in cases where reduced benefits would result. According to the estimates at the time the 1977 amendments were adopted, the amendments improved the long-range financial condition by reducing the projected deficit of 8.2 percent of taxable payroll to 1.46 percent of taxable payroll, only a fraction of the 8.2 percent deficit projected before the amendments.

The present 1.80 percent estimate for the long-term deficit is not much higher than the 1.4 percent estimate made after enactment of the 1977 amendments.

While the 1977 amendments included major future tax increases and a 25-percent reduction in future benefits, the full effect of these changes was delayed until 1981 and later. (For example, from 1978 through 1980, less than $17 billion in new revenues were realized as a result of the 1977 amendments, mainly from the ad hoc increases in the wage base, since the major tax increases were scheduled for 1981 and later.) At the time the amendments were enacted, it was known that the safety margin provided in the early years would not be very great, but the system at that point had reserves of $40 billion, which were thought to be sufficient to insure benefit payments until the additional revenues from the major tax increases could be realized.

However, economic conditions since 1977 have proved to be substantially worse than previously predicted, as indicated in Table 7; each percentage point in the CPI increase costs the trust funds about $1.5 billion, so that the 1980 increase alone cost about $13 billion more than predicted. As a result, benefit increases raised trust fund outlays beyond expectations at precisely the time real wages were declining and unemployment was increasing, so that revenues did not keep pace with outlays. During this period, therefore, trust fund reserves as a percentage of yearly benefit outlays have declined.

TABLE 7.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1977 FORECAST [1]

[Key economic indicators (in percent)]

Calendar year	CPI increase		Real wage differential		Unemployment rate	
	Estimated	Actual	Estimated	Actual	Estimated	Actual
1977	6.0	6.5	2.4	0.4	7.1	7.0
1978	5.4	7.6	2.7	0.5	6.3	6.0
1979	5.3	11.5	2.5	−2.7	5.7	5.8
1980	4.7	13.5	2.4	−4.9	5.2	7.1
1981	4.1	10.3	2.3	−1.6	5.0	7.6

[1] The 1977 forecast was based on the intermediate set of assumptions in the 1977 trustees' report.
Source: Ways and Means Committee Print, 96–75.

Impact of the 1980, 1981, and 1982 amendments

Tables 8 and 9 show the effects of legislation from 1980 to date on the financial status of the social security programs.

TABLE 8.—ORIGINAL SHORT-RANGE ESTIMATES OF REDUCTION IN OASDI AND HI BENEFIT PAYMENTS DUE TO AMENDMENTS OF 1980, THE OMNIBUS RECONCILIATION ACT OF 1981, AND THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

[In billions]

Calendar years	Estimates of net reduction in benefit payments, made at time of enactment, resulting from each set of amendments [1]			
	1980 amendments [2]	1981 reconciliation	1981 minimum benefit restoration bill	1982 Tax Act
1981	$0.2	$0.1		
1982	0.7	3.5	−$0.9	
1983	1.1	4.7	−1.3	$0.8
1984	1.4	5.8	−1.3	1.9
1985	1.8	6.4	−1.3	3.7
1986	2.2	6.9	−1.3	4.7

[1] Figures do not add across because the assumptions underpinning each set of amendments were different from one another. In addition, these estimates were made at the time of enactment and have not been individually re-evaluated since that time. Negative figures represent increases in benefit payments.

[2] Figures represent the sums of the estimates made for Public Law 96–265 (the Social Security Disability Amendments of 1980), Public Law 96–473, and Public Law 96–499 (the Omnibus Reconciliation Act of 1980).

TABLE 9.—ADDITIONAL TAX INCOME IN 1982 TO 1990 TO THE OASDHI PROGRAMS DUE TO PUBLIC LAW 97-123, AND TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

[In billions]

Calandar year	Additional tax income	
	Public Law 97-123	Tax Act of 1982
1982	$0.6	
1983	.7	$1.6
1984	.7	1.9
1985	.8	2.2
1986	.9	2.6
1987	1.0	2.8
1988	1.0	3.0
1989	1.1	3.3
1990	1.3	3.7
1980–1990	8.1	21.2

Note: Based on the 1982 Trustees' Report Intermediate (II-B) economic assumptions.

CURRENT STATUS OF THE TRUST FUNDS

An assessment of the status of the trust funds depends heavily on the economic assumptions underlying the estimates, because the level of revenue and benefit payments in the OASDHI system are so directly dependent on economic factors such as general inflation, increases in health care costs, and wage growth. Traditionally, the social security trustees have used three paths to estimate the short-range status of the trust funds: an optimistic, a pessimistic, and an intermediate path. In the 1982 trustees' report, an additional path presented: an "intermediate II-A" which modifies the usual intermediate path to reflect the somewhat more optimistic economic outlook forecasted by the Administration.

Table 10 summarizes the key economic assumptions contained in President Reagan's fiscal year 1984 budget and compares them with the assumptions underlying CBO's baseline 1984 forecast. Tables 11 and 12 summarize the estimated operations of the OASDHI trust funds for the years 1983 through 1989 under these two sets of assumptions.

TABLE 10.—COMPARISON OF THE ECONOMIC ASSUMPTIONS UNDERLYING TRUST FUND PROJECTIONS BASED ON PRESIDENT REAGAN'S 1984 BUDGET AND CBO'S BASELINE FEBRUARY 1983 ESTIMATES

	1983	1984	1985	1986	1987	1988
Percent change in real GNP:						
President's budget	1.4	3.9	4.0	4.0	4.0	4.0
CBO	2.1	4.7	4.1	3.7	3.5	3.5
Unemployment rate:						
President's budget	10.9	10.0	9.0	8.2	7.4	6.6
CBO	10.6	9.8	9.0	8.4	8.0	7.5
Percent change in CPI:						
President's budget	4.9	4.6	4.6	4.6	4.5	4.4
CBO	4.5	5.0	4.7	4.1	3.9	3.7

Source: Social Security Administration, Office of the Actuary, and Congressional Budget Office.

TABLE 11.—ESTIMATED OPERATION OF THE OASI, DI, HI AND OASDHI TRUST FUNDS BASED UPON PRESIDENT'S 1984 BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Old age and survivors insurance: [1] [2]						
Outlays	153.2	164.6	178.4	192.2	206.9	222.1
Income	144.5	135.8	147.9	160.1	171.4	185.5
Year-end balance	3.8	−25.1	−55.6	−87.7	−123.2	−159.8
Start-of-year balance (as percent of outlays)	8	2	−14	−29	−42	−55
Disability insurance: [1]						
Outlays	18.1	18.3	18.8	19.6	20.5	21.6
Income	18.7	26.4	32.2	37.2	41.4	46.2
Year-end balance	7.3	15.4	28.8	46.3	67.2	91.7
Start-of-year balance (as percent of outlays)	37	40	82	147	226	310
Combined OASI and DI:						
Outlays	171.2	183.0	197.2	211.7	227.5	243.7
Income	163.1	162.2	180.0	197.2	212.8	231.7
Year-end balance	11.2	−9.6	−26.8	−41.3	−56.0	−68.1
Start-of-year balance (as percent of outlays)	11	6	−5	−13	−18	−23
Hospital insurance: [3]						
Outlays	39.3	45.3	51.9	57.1	64.3	72.3
Income	28.0	44.1	48.3	55.1	60.4	65.3
Year-end balance	9.6	8.3	4.8	−2.8	−1.1	−8.2
Start-of-year balance (as percent of outlays)	53.0	21.1	16.0	8.4	4.4	−1.5
Combined OASI, DI, and HI: [2] [3]						
Outlays	210.5	228.3	249.1	268.8	291.8	316.0

TABLE 11.—ESTIMATED OPERATION OF THE OASI, DI, HI AND OASDHI TRUST FUNDS BASED UPON PRESIDENT'S 1984 BUDGET ASSUMPTIONS—Continued

[In billions of dollars]

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Income	191.1	206.3	228.3	252.3	273.2	297.0
Year-end balance	20.8	−1.3	−22.0	−38.5	−57.1	−76.3
Start-of-year balance (as percent of outlays)	19	9	−1	−8	−13	−18

[1] The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of $17.5 billion from the DI and HI trust funds—$5.1 billion from DI and $12.4 billion from HI.

[2] The estimated operations for OASI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.

[3] Projections assume the hospital reimbursement provisions under TEFRA which expire on Oct. 1, 1985, are extended.

Source: Office of the Actuary, Social Security Administration and Office of the Actuary, Health Care Financing Administration.

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI, DI, OASDI, HI, AND OASDHI TRUST FUNDS BASED UPON CBO 1984 BASELINE BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Old age and survivors insurance:						
Outlays	152.7	164.4	176.5	189.1	201.8	216.1
Income [1]	146.5	138.3	150.8	162.5	172.7	185.1
Year-end balance	6.3	−19.8	−45.5	−72.1	−101.2	−132.1
Start-of-year balance (as percent of outlays)	8.2	3.9	−11.2	−24.1	−35.7	−46.8
Disability insurance:						
Outlays	18.7	19.1	19.2	19.4	20.0	20.8
Income [1]	19.0	26.8	32.7	37.4	41.0	45.0
Year-end balance	7.0	14.8	28.3	46.3	67.2	91.4
Start-of-year balance (as percent of outlays)	36.0	37.0	77.0	146.0	231.2	323.9
Combined OASI and DI:						
Outlays	171.4	183.5	195.6	208.5	221.8	236.8
Income [1]	165.5	165.0	183.4	199.9	213.7	230.1
Year-end balance	13.4	−5.1	−17.3	−25.8	−34.0	−40.7
Start-of-year balance (as percent of outlays)	11.3	7.3	−2.6	−8.3	−11.6	−14.3
Hospital insurance:						
Outlays	38.9	44.3	49.7	57.3	66.5	74.8
Income [1]	27.9	44.3	48.6	55.1	59.3	62.9
Year-end balance	9.8	9.7	8.6	6.4	−0.8	−12.7
Start-of-year balance (as percent of outlays)	53.5	22.1	19.6	15.1	9.7	−1.0

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI, DI, OASDI, HI, AND OASDHI TRUST FUNDS BASED UPON CBO 1984 BASELINE BUDGET ASSUMPTIONS—Continued

[In billions of dollars]

	Fiscal year					
	1983	1984	1985	1986	1987	1988
Combined OASI, DI, and HI:						
Outlays	210.4	227.8	245.3	265.8	288.3	311.6
Income[1]	193.4	209.3	232.0	255.1	272.9	293.0
Year-end balance	23.2	4.7	−8.6	−19.4	−34.7	−53.3
Start-of-year balance (as percent of outlays)	19.1	10.2	1.9	−3.2	−6.7	−11.1

[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances, and certain general fund transfers. Income in fiscal year 1983 reflects actual interfund transfers as authorized under Public Law 97–123. In order to better illustrate the operations of the trust funds under extended interfund or other types of borrowing or under tax rate reallocation, estimated interest payments owed by a trust fund when it shows a deficit are included as negative values in the income estimates of that trust fund. The estimates assume the hospital reimbursement provisions of TEFRA are not extended.

Note: Minus sign denotes a deficit.

Source: Congressional Budget Office. Based on CBO's January 1983 baseline economic assumptions.

On December 31, 1982, the old-age and survivors' insurance trust fund borrowed $13.5 billion from the disability insurance and health insurance trust funds in order to assure the timely payment of benefits through June 1983. Since October, OASI has borrowed a total of $17.5 billion from DI and HI.

Under the most recent forecasts issued by the administration (intermediate II-B and pessimistic updated to take account of the 1982 Tax Act) as well as under the most recent CBO forecast (which also takes into account the Tax Act), the balance in the OASI fund will decline such that only the availability of funds borrowed from DI and HI will allow benefits to be paid on time through June 1983. Because of the expiration of that borrowing authority, under all these forecasts the OASI program will be unable to pay benefits on time beginning on July 3, 1983.

An extension of the interfund borrowing authority would permit the timely payment of benefits through 1983 under all three sets of assumptions. The point at which benefits could not be paid timely would range from early to late 1984, depending on which of the three forecasts is examined. The situation is somewhat less severe in the short range if the three trust funds are viewed in combination. However, it must be remembered that the funds are in fact statutorily separate. Legislation would have to be enacted to permit a surplus in one fund to be used to meet a deficit in another fund. Also, the more favorable short-range situation of the combined funds largely results from very near-term surpluses in the HI trust fund. Over the next 25 years, however, that fund is seriously underfunded. Thus, any shifting of funds from HI to OASI will aggravate to long-range actuarial imbalance in that program.

Under fairly pessimistic economic assumptions for the rest of this decade, the National Commission on Social Security Reform has estimated that OASDI alone will need between $150-200 billion through 1989, to guarantee benefit payments and to build up a minimal reserve of 15 percent of a year's benefit payments by 1989. The HI fund faces no immediate problem, but a more serious shortfall emerges beginning in 1987. This HI shortfall is projected to increase each year so that by 1990 or so, the fund will be permanently depleted, with no projected recovery.

As shown in table 13, the cumulative deficit in OASDI for the period 1983-89 totals $72.6 billion under Trustees' intermediate assumptions. While this deficit is substantial, it is important to note that it represents only a 3.3 percent shortfall in income during the period. The percentage deficit under pessimistic assumption is 11.7 percent.

TABLE 13.—RESOURCE CHANGES DURING CALENDAR YEARS 1983–89 IN SOCIAL SECURITY TRUST FUNDS UNDER PRESENT LAW—VARIOUS ASSUMPTIONS[1]

[In billions]

Fund	Estimated income to be received during calendar year period, 1983–89	Outgo during calendar year period 1983–89	Cumulative deficit 1983–89[2]	Percent deficiency 1983–89
	a	b	a–b	(a–b)/b
1982 Trustees' II-B assumptions:				
OASI	1,261.4	1,462.9	−201.5	−12.6
OASI and DI	1,550.9	1,623.5	−72.6	−3.3
OASI, DI, and HI	1,982.2	2,050.4	−68.2	−1.6
1982 Trustees' pessimistic assumptions:				
OASI	1,242.8	1.593.4	−350.6	−20.9
OASI and DI	1,539.2	1,766.2	−227.0	−11.7
OASI, DI, and HI	1,971.9	2,239.9	−268.0	−10.4

[1] All estimates take into account the effects of P.L. 97–248, the Tax Equity and Fiscal Responsibility Act of 1982. The Trustees' report estimates assume the continuation of the hospital cost containment provision of TEFRA beyond 1985, the expiration date in present law. CBO estimates do not.

[2] Calculated as income minus outgo, allowing for no reserves.

Table 14 shows the amount of additional income that would need to be raised through one or more of these devices in order to insure the financial solvency of the system through the 1980's.

TABLE 14.—ADDITIONAL RESOURCES REQUIRED UNDER PRESENT LAW IN THE NEAR TERM TO BRING OASDHI RESERVES UP TO CERTAIN LEVELS [1]

[In billions of dollars]

	Additional resources required [2]	
	1982 trustees' intermediate (II-B)	1982 trustees' pessimistic assumptions
Percent of 1 year's expenditures desired at beginning of 1986:		
9 percent (1 mo)	16	52
13 percent	26	62
20 percent	44	83
30 percent	70	108
40 percent	96	136
50 percent (6 mo)	123	163
Percent of 1 year's expenditures desired at beginning of 1988:		
9 percent (1 mo)	30	115
13 percent	40	126
20 percent	60	151
30 percent	88	180
40 percent	118	212
50 percent (6 mo)	150	245
Percent of 1 year's expenditures desired at beginning of 1990:		
9 percent (1 mo)	59	225
13 percent	70	239
20 percent	93	264
30 percent	123	301
40 percent	161	339
50 percent (6 mo)	190	378

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[1] Table includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982.

Appropriate reserve levels

In any period when income to a trust fund is less than benefit payments from trust fund, the fund's reserves must be used to pay benefits. Because the payroll tax that provides almost all income is fixed, and cannot be adjusted without legislation to meet trust fund revenue needs, the reserve levels in each fund must be adequate to meet benefit payments during periods of economic downturn when outlays are likely to exceed income.

The level of reserves needed to guarantee benefit payments varies according to circumstances: if the economy appears to be entering a recession or prolonged downturn, higher reserve levels are needed; if a recovery or boom period is anticipated, lower reserve levels are needed. In order to insure that benefits in OASDI will be paid, reserves at least sufficient to pay one month's benefits (9 percent of the year's benefit outlays) must be on hand at all times, because benefits are all paid at once at the beginning of the month while payroll tax revenues flow in throughout the month.

LONG RANGE FINANCING

Because the social security program has been designed as a quasi-contractual system in which those who pay the taxes supporting it are considered to be earning the right to future benefits, Congress has traditionally required long-range estimates of the program's actuarial balance and has set future tax rates with a view to assuring that the income of the program will be sufficient to cover its outgo. Under current procedures, the long-range actuarial analysis of the cash benefits program covers a 75-year period—this would generally be long enough to cover the anticipated retirement years of those currently in the work force. Since the enactment in 1965 of the hospital insurance program, long-range acturial analyses of that program have also been made, but "official" HI estimates are made only over a 25-year period.

The long-range status of the social security trust funds is ordinarily expressed in terms of "percent of taxable payroll" rather than in dollar amounts. This permits a direct comparison between the tax rate actually in the law and the cost of the program. For example, if the program is projected to have a deficit of "1 percent of taxable payroll," this means that the social security tax rates now in the law would have to be increased by 0.5 percent points on employee and employer, each, in order to pay for the benefits due under present law. (Alternatively, the program could be brought back into balance by an equivalent reduction in benefit outgo or by a combination of revenue increases and outgo reductions.) If the program is projected to have a deficit of 1.5 percent of taxable payroll and expenditures are projected to be 10 percent of taxable payroll, then, under the given set of assumptions, 15 percent (1.5 divided by 10) of expenditures could not be met with that tax schedule. At the present time, the total taxable payroll amounts to approximately $1.4 trillion so that in 1982 terms, 1.5 percent of payroll represents about $21 billion.

The long-range financial condition of the social security programs will be determined by three types of long-range factors: demographic factors such as rates of fertility, life expectancy, and labor force participation which determine how many workers there will be in the society in relation to non-working beneficiaries; economic factors such as unemployment, productivity, hospital utilization increases and inflation; and social security program factors, such as benefit levels, total number of covered workers, and percent of eligible workers drawing early retirement benefits.

It is clear that these factors cannot be predicted with any certainty as far into the future as 75 years, and the long-range projections should not be taken as absolute predictions of deficits or surpluses in the funds.

Table 15 provides estimate of the long-range actuarial status of the social security cash benefit programs over the next 75 years under optimistic, intermediate and pessimistic assumptions.

TABLE 15—ESTIMATED AVERAGE OASDI TAX RATES, COST RATES, AND ACTUARIAL BALANCE

[Percentage of taxable payroll]

Years	Average tax rate	Estimated average cost rate [1]				Actuarial balance [2]			
		Optimistic	Intermediate A	Intermediate B	Pessimistic	Optimistic	Intermediate A	Intermediate B	Pessimistic
25-year averages:									
1982–2006	12.01	9.75	10.46	11.37	12.73	2.26	1.55	0.64	−0.72
2007–2031	12.40	11.30	13.15	14.08	17.84	1.10	−0.75	−1.68	−5.44
2032–2056	12.40	11.88	15.65	16.81	25.66	0.52	−3.25	−4.41	−13.26
75-year average:									
1982–2056	12.27	10.98	13.09	14.09	18.74	1.29	−0.82	−1.82	−6.47

[1] Cost rate is the estimated outgo as a percentage of taxable payroll.

[2] Actuarial balance is the difference between the tax rate and the cost rate.

This table shows that the cash benefits trust funds, despite their deficit in the next few years, have a surplus over the next 25 years under all but the pessimistic assumptions.

Over the next 75 years under intermediate II–B, the cash benefits programs have a deficit of 1.80 percent of payroll. This means that—under the actuaries' best current estimates—social security taxes would have to be increased by a combined 1.80 percentage points (or $25 billion in 1982 terms) for each of the next 75 years. This (again in 1982 terms) represents a total deficit of $1.8 trillion over the next 75 years. The table, estimated prior to TEFRA, has a deficit of 1.82 percent of payroll.

If the deficit in the OASDI program is not addressed in the near term, it becomes substantially larger on an annual basis in the future. For the last one-third of the 75-year period, an average annual deficit of 4.39 percent of taxable payroll (over $60 billion per year in 1982 terms) is projected.

Table 16 presents estimates of the actuarial balance under the HI trust fund over the next 25 years. Under all sets of assumptions, HI revenues will be substantially less than HI outgo. As the following table shows under Intermediate II–B assumptions, the HI program is projected to take in revenues that on average are equal to 2.86 percent of taxable payroll, while its outgo on average will equal 4.34 percent of taxable payroll. Thus, the HI program is projected to have an average deficit for the medium-term future of 1.48 percent of taxable payroll. In 1982 dollars, this is equal to about $20 billion per year, amounting to $500 billion over the 25-year period in total (once again in 1982 dollars).

When the OASDI surplus and the HI deficit are joined in one set of medium-range projections, the OASDHI programs combined show a medium range deficit equal to 0.82 percent of taxable payroll. Thus, on an aggregate basis, the three programs supported by the payroll tax are insufficiently financed over the next 25 years—i.e., even assuming the OASDI surpluses were used for the HI program, the system in aggregate is underfinanced.

TABLE 16.—HI ACTUARIAL BALANCE 1982 TO 2006

[Percent of taxable payroll]

	Assumptions			
	Optimistic	Intermediate A	Intermediate B	Pessimistic
Average scheduled payroll tax rate (combined employer-employee rate)	2.86	2.86	2.86	2.86
Total cost of the program [1]	3.72	4.49	4.93	6.59
Difference (actuarial balance)	−0.86	−1.63	−2.07	−3.73

[1] Includes expenditures and a small percentage for trust fund building and maintenance.

ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS

The following tables provide specific information concerning the economic and demographic assumptions which underlie the short and long-run financial projections.

TABLE 17.—ECONOMIC ASSUMPTIONS, 1960–2055

Calendar years	Average annual percentage increase in—		Consumer Price Index	Real wage differential (percent)	Average annual interest rate (percent)	Average annual unemployment rate
	Real GNP	Average wages in covered employment				
Past experience:						
1960–64	4.0	3.4	1.3	2.1	3.7	5.7
1965–69	4.4	5.4	3.4	2.0	5.2	3.8
1970–74	2.8	6.3	6.1	0.2	6.7	5.4
1975–79	3.5	7.8	8.1	−.3	7.8	7.0
1980	−0.1	8.5	13.5	−4.9	11.0	7.1
1981	2.0	8.7	10.3	−1.6	13.3	7.6
Intermediate II–B:						
1983	4.2	8.1	7.9	.2	11.4	8.5
1984	3.3	8.1	7.4	.7	9.3	8.0
1985	3.0	6.9	6.6	.3	8.0	7.7
1990	3.0	6.0	4.5	1.5	6.4	6.1
1995	2.5	5.5	4.0	1.5	6.1	5.0
2000 and later	[1] 2.6	5.5	4.0	1.5	6.1	5.0
Pessimistic:						
1983	.6	7.3	9.6	−2.3	12.3	9.8
1984	2.4	7.8	9.6	−1.8	10.5	9.6
1985	3.8	9.2	9.2	.0	9.4	8.8
1990	2.7	9.0	7.2	.8	7.6	6.9
1995	1.8	6.2	5.2	1.0	6.7	6.0
2000 and later	[1] 2.1	6.0	5.0	1.0	6.6	6.0

[1] This value is for the year 2000. The annual increase in real GNP is assumed to continue to change after 2000 under each alternative to reflect the dependence of labor force growth on the size and age-sex distribution of the population. The percentage increases for 2060 are 2.1 and 1.0 for Alternatives II–B and III, respectively.

TABLE 18.—MAJOR LONG-TERM DEMOGRAPHIC AND LABOR FORCE PARTICIPATION ASSUMPTIONS

FERTILITY RATES

[1981 trustees' report II–B assumptions]

	1917	1933	1947	1957	1976	1981	1995	2005+
Children born per woman in her lifetime	3.33	2.17	3.18	3.69	1.74	1.86	2.00	2.10

LIFE EXPECTANCIES

[In years]

	1900	1940	1960	1980	2000	2020	2060
Male:							
At birth	47.9	61.6	66.7	69.8	72.9	73.8	75.4
Age 65	11.5	12.1	13.0	14.3	15.8	16.4	17.6
Female:							
At birth	50.7	65.9	73.4	77.7	81.1	82.1	84.1
Age 65	12.2	13.6	16.1	18.7	21.1	22.0	23.6

LABOR FORCE PARTICIPATION RATES

[In percent]

	1981	1985	1990	1995	2000+
Male	78.4	78.3	78.5	78.0	77.6
Female	52.1	55.7	58.7	59.5	60.3

COVERED WORK FORCE—NUMBER OF BENEFICIARIES AND DEPENDENCY RATIOS

	1960	1980	2000	2020	2040
Total population (in millions)	189	233	274	307	329
Covered workers	73	115	143	154	159
Beneficiaries	14	35	46	66	80
Dependency ratio [1]	.915	.753	.705	.765	.856
Worker/beneficiary ratio	5.1	3.3	3.1	2.3	2.0

[1] Ratio of non-working to working population—population under 20 plus population over 65 divided by population 20–64.

Source: Congressional Research Service.

TABLE 19.—PROGRAM FACTORS

[1981 trustees' report II-B assumptions]

PAST AND FUTURE BENEFIT LEVELS FOR AVERAGE EARNER RETIRING AT AGE 65

	Annual initial benefit	
	Actual dollars	1981 constant dollars
1955	$1,100	$3,900
1970	2,000	4,800
1990	10,500	5,800
2020	52,300	8,900
2055	340,500	14,600

PERCENT OF ELIGIBLE WORKERS DRAWING RETIREMENT BENEFITS

Selected ages	1981	1990	2000	2010 and later
62 to 64:				
Male	39.0	44.0	44.0	44.0
Female	51.0	53.7	54.4	[1] 54.7
65 to 69:				
Male	90.0	93.0	93.0	93.0
Female	87.5	91.1	92.3	[1] 93.0

[1] Rises very slightly after 2010.

PAST AND FUTURE REPLACEMENT RATES [1]

[In percent]

	1955	1970	1975	1980	1990	2020 and later
Low earner	50	43	60	64	56	54
Average earner	35	34	42	51	42	42
Maximum earner	33	29	30	33	25	29

[1] For age 65 retirees.

SENSITIVITY OF OASDI COST TO DIFFERENT ASSUMPTIONS

It should be borne in mind that all of these estimates are extremely sensitive to even small changes in the long-term assumptions. Table 20 demonstrates how small changes in two assumptions, the fertility rate and the real wage differential, can have a significant impact on the long-range deficit. For example, a one-half percent decrease in the real wage differential will cause the long-run deficit to increase by 0.84 percent of taxable payroll.

TABLE 20.—SENSITIVITY OF OASDI COST ESTIMATES TO SELECTED ASSUMPTIONS

	Assumptions		
	Intermediate (II–b)	More optimistic	More pessimistic
Ultimate fertility rate: Children per woman	2.1	2.4	1.7
Effect on costs [1]		−.75	+1.23
Real-wage differential: Difference between wage and price increases in percent	1.5	2.0	1.0
Effect on costs [1]		−.77	+.84
Mortality improvement [2]	37	59	22
Effect on costs [1]		+1.46	−.69
Disability incidence [3]	15	0	30
Effect on costs [1]		−.15	+.14

[1] Expressed as percent of taxable payroll: (−) signifies cost reduction, (+) signifies increase. Intermediate assumption in 1982 trustees report. Long-run deficit under intermediate assumptions is 1.80 percent of payroll, post reconciliation.

[2] The mortality improvement is the percentage decrease from 1978 to 2060 in the age-sex adjusted death rate.

[3] The disability incidence rate increase is based on the rate of the age-sex adjusted incidence rate in 2001 and later to such rate during 1979–81.

Section 6. Trade Adjustment Assistance

Trade Adjustment Assistance Program for Workers

Sections 221 through 250 of the Trade Act of 1974, as amended, contain the procedures, eligibility requirements, benefit allowances, and administrative provisions of the trade adjustment assistance (TAA) program for workers laid off as a result of increased import competition. This entitlement program was first established under the Trade Expansion Act of 1962 for the purpose of assisting in the special adjustment problems of workers dislocated as a result of a Federal policy of encouraging increased foreign trade. The Omnibus Budget Reconciliation Act of 1981 (OBRA), Public Law 97-35, changed the program significantly as proposed by the Administration. The amendments, particularly in program eligibility and benefits, were intended to reduce program cost significantly and to shift its focus from income compensation for temporary layoffs to return to work through training and other adjustment measures for the long-term or permanently unemployed. Most amendments became effective on October 1, 1981. The program was extended for one year to terminate on September 30, 1983.

Trade adjustment assistance consists of trade readjustment allowances, employment services, training and extended TRA allowances while in training, and job search and relocation allowances for certified and otherwise qualified workers. The program is now administered by the Employment and Training Administration (ETA) of the Department of Labor through State employment security agencies under cooperative agreements between each State and the Secretary of Labor. ETA processes petitions and issues certifications or denials of petitioning groups of workers eligibility to apply for TAA. The State agencies act as Federal agents in processing applications and determining individual worker eligibility for benefits, issuing payments, and providing reemployment services and training opportunities.

CERTIFICATION REQUIREMENTS

A two-step process is involved in the determination of whether an individual worker will receive trade adjustment assistance: (1) certification by the Secretary of Labor of a petitioning group of workers in a particular firm as eligible to apply; and (2) approval by the State agency administering the program of the application for benefits of an individual worker covered by a certification.

The process begins by a group of three or more workers, their union, or authorized representative filing a petition with the ETA for group eligibility. To certify a petitioning group of workers as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm or subdivision of the firm have been or are threatened to be totally or partially laid off;

2. Sales and/or production of the firm or subdivision have decreased absolutely; and

3. Increased imports of articles like or directly competitive with articles produced by the firm or subdivision of the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.

A major amendment to the program under the OBRA strengthened the causal link between increased imports and worker layoffs and sales/production declines of the firm from "contributed importantly" to "a substantial cause," defined as a cause which is not only important but also "not less than any other cause," the same standard applied under the Trade Act for import relief to domestic industries. This stricter causation standard was to apply to petitions filed on or after February 9, 1982 (i.e., 180 days after enactment of the OBRA). However, section 204 of the Miscellaneous Revenue Act of 1982 (Public Law 97-362) restored the "contributed importantly" standard through September 30, 1983, the statutory termination date of the program.

TABLE 1.—NUMBER OF PETITIONS INSTITUTED AND CERTIFIED AND ESTIMATED NUMBER OF WORKERS PETITIONING AND CERTIFIED FOR TRADE ADJUSTMENT ASSISTANCE, TOTAL AND BY INDUSTRY FROM APRIL 1975 THROUGH DECEMBER 31, 1982

Year	Cases instituted		Cases certified		
	Petitions	Estimated workers	Petitions	Percent [1]	Estimated workers
1975	528	210,977	122	50	55,113
1976	1,014	218,538	430	46	143,572
1977	1,289	227,467	411	38	143,620
1978	1,732	171,208	853	42	164,031
1979	2,117	319,834	844	41	220,777
1980	5,347	1,026,516	935	29	584,473
1981	1,134	138,080	260	9	32,522
1982 (preliminary)	1,030	97,605	253	19	28,176
Total	14,191	2,410,225	4,108	29	1,372,284

[1] Percent of workers covered by completed cases.

	Thousands
Total estimated number of workers certified	1,372
Industry:	
Automobiles	712
Apparel	150
Steel	135
Footwear	78
Electronics	59
Fabricated metal products	35
Textiles	26

Source: Department of Labor.

ELIGIBILITY REQUIREMENTS FOR TRADE READJUSTMENT ALLOWANCES

In order to receive a trade readjustment allowance (TRA) for any week of unemployment, an individual worker covered by a certification must file an application with his State employment security office and meet the following eligibility requirements:

1. His last total or partial layoff before application must have occurred not more than 1 year prior to the date of the petition, on or after the "impact date" (i.e., the date on which total or partial layoffs began or threatened to begin), within 2 years after the date the Secretary of Labor issued the certification covering the worker, and before the termination date (if any) of the certification; and
2. He was employed at least 26 of the 52 weeks preceding his last layoff in adversely affected employment with a single firm or subdivision thereof at wages of $30 or more per week.

Current law treats as a week of employment the week in which layoff occurs and up to 3 weeks of employer-authorized vacation, sick, injury, maternity, or military leave, or service as a union representative, up to 7 weeks of disability covered by workmen's compensation, or up to 7 weeks of leave and disability combined, of which no more than 3 weeks may consist of authorized leave. Under prior law, only weeks actually on the job were counted as qualifying weeks of employment.

In addition, the OBRA amended the program to include the following new TRA eligibility limitations:

1. Under the program prior to October 1, 1981, TRA benefits were a supplement to State unemployment insurance and paid concurrently during weeks the worker was eligible for UI. A fundamental change under the new program makes TRA benefits a continuation of the UI program by requiring the worker to exhaust all rights to UI, including any extended benefits (EB), to which he is entitled in his most recent benefit period before he becomes eligible for any TRA payments. The worker is also ineligible for TRA benefits for any subsequent week he is entitled to payment for any further UI or waiting period credit. This change is a major factor in the substantial reduction in the cost of the program and its reorientation to long-term and permanently unemployed workers.

2. All TRA claimants in all States are now subject to the provisions of the EB "suitable work" test under section 202(a)(3) of the Federal-State Extended Unemployment Compensation Act of 1970 after the end of their regular UI benefit period as a precondition for receiving any weeks of TRA payments. Previously, the EB work test applied only to TRA claimants in those States triggered "on" an extended benefit period. Workers are not disqualifed for TRA benefits if in State-approved training prior to eligibility or for any form of TAA because of subsequently leaving employment which is not of a substantially equal or higher skill and wage level than previous employment.

3. Workers are entitled to TRA payments only for weeks of unemployment which begin more than 60 days after the filing date of the petition, i.e. after the statutory deadline for certification. Workers can continue to be certified for layoffs occurring up to one year prior to the petition filing date in order to qualify for other TAA benefits, but can no longer receive TRA payments retroactively beyond the date certification is supposed to take place. The purpose of this change was to reduce significantly the frequency and magnitude of retroactive lump sum payments to workers after their return to employment.

4. No TRA payment can be made for a UI waiting week.

5. As a further encouragement to reemployment, the Secretary of Labor may require all workers in a labor market area with certain economic characteristics to either accept training or to extend job search beyond their labor market area after their first 8 weeks of TRA eligibility and if they have been approved for training.

BENEFIT LEVELS AND DURATION

TRA benefits prior to October 1, 1981, were 70 percent of the worker's former gross weekly wage not to exceed the average weekly manufacturing wage (currently $289), reduced by the amount of his unemployment compensation entitlement, 50 percent of any part-time earnings, and certain training allowances paid under Federal law. Eligible workers could collect basic benefits for up to 52 weeks of unemployment during a maximum two-year period following layoff. Older workers age 60 or over or workers exhausting basic benefits while still in approved training programs could receive up to an additional 26 weeks of TRA payments, collectible during a maximum three-year period following layoff.

The following major changes of the OBRA, effective as of October 1, 1981, reduce program costs and are intended to remove reemployment disincentives associated with the previous high net wage replacement and the inequity in benefit amounts between import-impacted workers and workers laid off for other reasons:

1. The TRA weekly benefit amount is the same as, and a continuation of, the claimant's unemployment insurance weekly benefit amount during his most recent UI benefit period, reduced by any training allowance and disqualifying income deductible under UI law. This change has shifted the TRA benefit level from a uniform national standard to a State standard.

2. The total amount of basic TRA benefits payable to a worker is reduced to a maximum of 52 times the TRA allowance level for a week of total unemployment minus the total amount of UI regular and extended benefits payable in the worker's most recent benefit period (e.g., a worker receiving 39 weeks of UI regular and extended benefits could receive a maximum 13 weeks of TRA benefits). UI and TRA payments combined are limited to a maximum 52 weeks in all cases involving extended benefits. TRA basic benefits may be collected only during the 52-week period following the week in which the worker has exhausted all his rights to regular unemployment compensation in his most recent benefit period. The purpose of the shortened collection period is to reduce payment of TRA benefits during periods of non-trade-related unemployment. This change is another major cause of the substantial reduction in program cost.

3. Workers may receive up to 26 additional weeks of TRA benefits to assist in completing approved training, if the worker applies for the training program within 210 days (compared to 180 days previously) after certification or layoff, whichever date is later. The additional benefits may be collected only during the 26-week period (compared to 52-week period under the previous program) following the worker's last week of entitlement to basic TRA benefits. Older workers are no longer eligible for additional weeks of TRA benefits.

TABLE 2.—TOTAL OUTLAYS FOR TRADE READJUSTMENT ALLOWANCES, NUMBER OF RECIPIENTS, AVERAGE WEEKLY PAYMENTS AND DURATION, FISCAL YEARS 1976 THROUGH 1982

Fiscal year	Total outlays (millions)	Total number of recipients (thousands)	Average weekly payment per recipient	Average week's duration
1975 (4th quarter)	$71	47	$58	26.0
1976 [1]	79	62	47	27.3
1977	148	111	57	23.4
1978	257	156	68	24.3
1979	256	132	70	27.4
1980	1,622	532	126	24.1
1981	1,440	281	140	36.5
1982 (preliminary)	103	30	119	28.4
Total	3,977	1,351	108	27.2

[1] Fiscal year 1976 is the first full year of experience under the program as amended by the Trade Act of 1974.

Note.—The above figures relate only to trade readjustment allowances; administrative expenses and outlays for employment services, training, and job search and relocation allowances are not included.

Source: Department of Labor.

TRAINING AND OTHER EMPLOYMENT SERVICES, JOB SEARCH AND RELOCATION ALLOWANCES

Training and other employment services and job search and relocation allowances are available through State agencies to certified workers whether or not they have exhausted UI benefits and become eligible for TRA payments.

Employment services consist of counseling, vocational testing, job search and placement, and other supportive services, as appropriate.

Training, preferably on-the-job, *may* be approved for a worker if there is no suitable employment available; the worker would benefit from appropriate training; there is a reasonable expectation of employment following training completion; approved training is available from government agencies or private sources; and the worker is qualified to undertake and complete such training. While training itself is not an entitlement even if the above conditions are met, under current law if training is approved, a worker is entitled to payment of the costs. As a result, the Department of Labor has added administratively another condition prohibiting State agencies from approving training if sufficient funds have not been allocated to pay the costs or if the training is self-financed by the worker.

Supplemental assistance is available to defray reasonable transportation and subsistence expenses for separate maintenance when training is not within the worker's commuting distance. Under the OBRA the allowance was increased from 12 cents per mile and $15 per day to the lesser of actual per diem expenses or 50 percent of the prevailing Federal per diem rate for subsistence and prevailing mileage rates under Federal regulations for travel expenses.

Job search allowances are available to certified workers who cannot obtain suitable employment within their commuting area, are totally laid off, and apply within one year after certification or last total layoff, whichever is later, or within six months after concluding training. The OBRA increased the allowance for reimbursement from 80 percent to 90 percent of necessary job search expenses, based on the same increased supplemental assistance rates described above, up to a maximum amount increased from $500 to $600.

Relocation allowances are available to certified workers totally laid off at time of relocation who have been able to obtain an offer of or actual suitable employment only outside their commuting area, apply within 14 months after certification or last total layoff, whichever is later, or within six months after concluding training, and whose relocation takes place within 6 months after application or completion of training. The OBRA increased the allowance from 80 percent to 90 percent of reasonable and necessary expenses for transporting the worker, his family, and household effects, based on the same increased supplemental assistance rates described above, plus a lump sum payment of three times the worker's average weekly wage up to a maximum amount increased from $500 to $600.

TABLE 3.—TRAINING, JOB SEARCH, AND RELOCATION ALLOWANCES: TOTAL NUMBER OF WORKERS AND OUTLAYS, FISCAL YEARS 1976 THROUGH 1982

Fiscal year	Total number			Total outlays (millions)[1]		
	Entered training	Job searches	Relocations	Training	Job searches	Relocations
1975 (4th quarter)	463	158	44			
1976	823	23	26	(2)	(2)	(2)
1977	4,213	277	191	(3)	(3)	$0.2
1978	8,337	1,072	631	$12.0	$0.2	0.6
1979	4,458	1,181	855	12.0	0.3	1.2
1980	[4] 9,475	931	629	5.2	0.1	0.7
1981	[4] 20,386	1,491	2,011	1.9	0.3	2.0
1982 (preliminary)	5,844	697	662	16.4	(5)	(5)
Total	56,104	5,829	5,050			

[1] Excludes administrative costs.

[2] Total $2.7.

[3] Total $3.8.

[4] Of total workers entering training, 5,640 (59 percent) in 1980 and 18,940 (94 percent) in 1981 self-financed their training costs.

[5] Total outlays of $1.0 million for job search and relocation expenses.

Source: Department of Labor.

FUNDING

Federal funds, through annual appropriations from Treasury general revenues, cover only the portion of the worker's total entitlement represented by the continuation of UI benefits levels in the form of TRA payments, plus the salaries and expenses for ETA personnel administering the program. Funds made available under grants to States defray expenses of any employment services. A portion of the discretionary funds available to the Secretary of Labor under the CETA program are allocated annually for training and for job search and relocation allowances.

The States are reimbursed from Treasury general revenues for benefit payments and other costs incurred under the program. A penalty under section 239 of the Trade Act of 1974 provides for reduction by 15 percent of the credits for State unemployment taxes which employers are allowed against their liability for Federal unemployment tax if a State has not entered into or fulfilled its commitments under a cooperative agreement.

Trade Adjustment Assistance Program for Firms

Section 251 through 264 of the Trade Act of 1974, as amended, contain the procedures, eligibility requirements, benefits and their terms and conditions, and administrative provisions of the trade adjustment assistance (TAA) program for firms adversely impacted by increased import competition, established under the Trade Expansion Act of 1962. The OBRA made minor modifications to preserve the existing program, which also utilized authorities under the Public Works and Economic Development Act of 1965, as amended, upon transfer of its administration this year within the Department of Commerce from the Economic Development Administration to the International Trade Administration. Other amendments were intended to increase the attractiveness and improve the administration of loan guarantees. The amendments became effective on date of enactment. The program was extended for one year to terminate on September 30, 1983.

Program benefits consist of technical and/or financial assistance for petitioning firms which qualify under a two-step procedure: (1) certification by the Secretary of Commerce that the petitioning firm is eligible to apply, and (2) approval by the Secretary of Commerce of the application by a certified firm for benefits, including the firm's proposal for economic adjustment.

To certify a firm as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm have been or are threatened to be totally or partially laid off:
2. Sales and/or production of the firm have decreased absolutely; and
3. Increased imports of articles like or directly competitive with articles produced by the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.

A certified firm may file an application with the Secretary of Commerce for trade adjustments assistance benefits at any time within two years after the date of the certification of eligibility. The application must include a proposal by the firm for its economic adjustment. The Secretary may furnish technical assistance to the firm in preparing its petition for certification and/or in developing a viable economic adjustment proposal.

The firm's application must meet the following requirements for approval of technical and/or financial assistance:

1. The firm has no reasonable access to financing through the private capital market.
2. The adjustment proposal demonstrates that the assistance sought (a) is reasonably calculated to make a material contribution to the economic adjustment of the firm in establishing a competitive position in the same or a different industry; (b) gives adequate consideration to the interest of the workers in the firm; and (c) demonstrates the firm will make all reasonable efforts to use its own resources for economic development.

In addition, the Secretary must determine that a firm seeking financial assistance (1) does not have the required funds available from its own resources; and (2) there is reasonable assurance that the loan will be repaid.

BENEFITS

Technical assistance and financial assistance may be furnished singly or in combination to certified firms with approved applications.

Technical assistance may be given to implement the firm's economic adjustment proposal in addition to, or in lieu of, precertification assistance or assistance in developing the proposal. It may be furnished through existing government agencies or through private individuals, firms, and institutions (including private consulting services), or by grants to intermediary organizations, including Trade Adjustment Assistance Centers. The Federal share cannot exceed 75 percent of the cost of assistance furnished through private individuals, firms, or institutions. Grants may be made to intermediate organizations to defray up to 100 percent of their administrative expenses in providing technical assistance.

The Secretary of Commerce also may provide technical assistance of up to $2 million annually per industry to establish industrywide programs for new product or process development, export development, or other uses consistent with adjustment assistance objectives. The assistance may be furnished through existing agencies, private individuals, firms, universities, and institutions, and by grants, contracts, or cooperative agreements to associations, unions, or other nonprofit organizations of industries in which a substantial number of firms have been certified.

Financial assistance may be direct loans and/or loan guarantees for (1) acquiring, constructing, installing, modernizing, developing, converting, or expanding land, plant, buildings, equipment, facilities, or machinery; or (2) supplying such working capital as may be necessary to enable the firm to implement its adjustment proposal.

Direct loans to any firm cannot exceed an aggregate amount of $1 million outstanding at any time. The interest rate is determined by the Secretary of the Treasury, plus an amount adequate to cover administrative costs and probable losses under the program.

Loan guarantees to any firm cannot exceed an aggregate amount of $3 million outstanding at any time. No loan can be guaranteed for more than 90 percent of the balance of the loan outstanding.

Maturities of direct loans and loan quarantees normally cannot exceed 10 years on working capital loans and 25 years or the useful life of the fixed assets, whichever is less, on loans for land, plant, building, equipment, or machinery.

TABLE 4.—NUMBER OF FIRMS CERTIFIED AND TECHNICAL AND FINANCIAL ASSISTANCE AUTHORIZED FOR THE PERIOD FROM APRIL 1975 THROUGH DECEMBER 31, 1982

[Dollars in thousands]

Number of firms certified	1,559
Number certified by industry:	
Apparel	518
Footwear	134
Metal products	76
Communication equipment	75
Handbags	72
Textiles	71
Technical assistance: Number of firms receiving assistance	[1] 2,894
Total assistance authorized	$85,268
Individual firms	$56,366
Industrywide	$28,902
Financial assistance: Number of firms receiving loans	308
Total loans authorized	$341,627
Direct loans	$190,868
Loan guarantees	$150,759

[1] Double counting is unavoidable since most firms receive more than one category of technical assistance.

Source: Department of Commerce.

FUNDING

Funds to cover all costs are subject to annual appropriations for the Department of Commerce from general revenues.

Section 7. Unemployment Compensation

OVERVIEW

The Social Security Act of 1935 (Public Law 74-271) created the Federal-State Unemployment Compensation (UC) system. It has two main objectives: (1) to provide temporary and partial wage replacement to involuntarily unemployed workers who were recently employed; and (2) to help stabilize the economy during recessions. The U.S. Department of Labor oversees the system, but each State has its own program. Because Federal law defines the District of Columbia, Puerto Rico, and Virgin Islands as "States" for the purposes of unemployment compensation, there are 53 State programs.

The Federal Unemployment Tax Act of 1939 (Public Law 76-379) and titles III, IX, and XII of the Social Security Act form the framework of the system. The Federal Unemployment Tax Act (FUTA) currently imposes a 3.5 percent gross tax rate on the first $7,000 paid annually by covered employers to each employee. Employers in States with programs approved by the Federal Government and with no delinquent Federal loans may credit 2.7 percentage points against the 3.5 percent tax rate, making the minimum, net Federal unemployment tax rate 0.8 percent. This Federal revenue finances administration of the system, half of the Federal-State Extended Benefits program, and a Federal account for State loans. In theory, the States are supposed to use the revenue turned back to them by the 2.7 percent credit to finance their regular State programs and half of the Federal-State Extended Benefits program.

TABLE 1.—UNEMPLOYMENT COMPENSATION PROGRAM STATISTICS

	Fiscal year—								
	1976	1977	1978	1979	1980	1981	1982	1983 (revised estimate) [2]	1984 (estimate) [2]
Total unemployment rate (percent)	8.0	7.4	6.2	5.8	6.8	7.4	9.1	10.9	10.2
Insured unemployment rate (percent) [1]	5.0	4.1	3.5	3.1	3.8	3.5	4.4	5.4	4.9
Coverage (millions of individuals)	66.6	70.0	79.9	86.1	87.0	88.2	87.2	87.1	89.3
Average weekly benefit amount (dollars)	71.75	75.80	80.40	85.00	95.70	101.60	113.20	119.20	124.40
State unemployment compensation:									
Claimants (millions of individuals)	8.657	8.358	7.647	7.797	9.906	8.777	11.370	11.5	10.3
Regular benefit exhaustions (millions of individuals)	4.1	2.9	2.2	2.0	2.7	3.2	3.7	4.1	3.7
Regular benefits paid (billions of dollars)	10.24	8.94	8.32	8.74	12.95	13.46	19.34	25.23	23.82
Extended benefits (State share: billions of dollars)	1.41	0.95	0.51	0.12	0.56	1.06	0.93	2.20	1.20
State tax collections (billions of dollars)	6.40	9.25	11.03	12.27	11.91	12.37	12.77	14.92	18.68
State trust fund impact (income-outlays: billions of dollars)	−5.25	−0.64	+2.20	+3.41	−1.60	−2.15	−7.50	−12.51	−6.34
Federal unemployment compensation accounts:									
Federal tax collections (billions of dollars)	1.53	1.87	2.60	2.91	3.19	3.26	3.18	3.81	4.25
Outlays: Federal extended benefits share plus Federal supplemental benefits (billions of dollars)	4.98	2.61	0.69	0.12	0.56	1.06	0.97	4.67	1.20

TABLE 1.—UNEMPLOYMENT COMPENSATION PROGRAM STATISTICS—Continued

	Fiscal year—								
	1976	1977	1978	1979	1980	1981	1982	1983 (revised estimate) [2]	1984 (estimate) [2]
Administrative costs (billions of dollars):									
Unemployment Insurance Service	0.88	0.96	0.93	0.97	1.15	1.32	1.42	1.95	1.89
Employment Service	0.54	0.60	0.64	0.70	0.73	0.73	0.68	0.78	0.83
Total administrative costs	1.42	1.56	1.57	1.67	1.88	2.05	2.10	2.73	2.72

[1] The percent of workers covered under State unemployment compensation programs who collected unemployment compensation benefits.

[2] Based on President's 1984 budget.

Sources: Office of Research, Legislation and Program Policies/ETA/UIS/DOL, Division of Actuarial Services, and U.S. Budget Appendixes.

The Federal Unemployment Tax Act (FUTA) determines covered employment. FUTA also imposes certain requirements on the State programs, but the States generally determine individual qualification requirements, disqualification provisions, eligibility, weekly benefit amounts, potential weeks of benefits, and the State tax structure used to finance all of the regular State benefits and half of the Extended Benefits.

The Social Security Act provides for the administrative framework. Title III authorizes Federal grants to the States for administration of the State UC laws. Title IX authorizes the various components of the Federal Unemployment Trust Fund. Title XII authorizes advances or loans to insolvent State UC programs.

The Unemployment Trust Fund

The Federal Unified Budget accounts for all Federal-State UC outlays and taxes in the Federal Unemployment Trust Fund. The Unemployment Trust Fund has 59 accounts. The House Committee on Ways and Means has jurisdiction over all but two of these accounts. The House Committee on Energy and Commerce has jurisdiction over the Railroad Unemployment Insurance and Railroad Administration accounts, but the Committee on Ways and Means has jurisdiction over the exemption from FUTA of the railroad industry. The remaining 57 accounts consist of 53 State UC program accounts and four Federal accounts. The status of each State program account at the beginning of fiscal year 1983 is shown in table 2.

TABLE 2.—STATE UNEMPLOYMENT TRUST FUND ACCOUNT BALANCES AT THE BEGINNING OF FISCAL YEAR 1983

[Dollars in millions]

State	1983 beginning balance	Minus loans outstanding at beginning of 1983	1983 negative beginning balances	Adjusted 1983 beginning balance as a percent of total wages in State
Alabama	$49			0.3
Alaska	123			2.8
Arizona	248			1.6
Arkansas	7	$64	−$57	−.6
California	2,966			1.8
Colorado	37			.2
Connecticut	59	271	−212	−.9
Delaware	21	54	−33	−.8
District of Columbia	(1)	41	−41	−.6
Florida	883			1.7
Georgia	427			1.5
Hawaii	107			2.0
Idaho	38			.9

TABLE 2.—STATE UNEMPLOYMENT TRUST FUND ACCOUNT BALANCES AT THE BEGINNING OF FISCAL YEAR 1983—Continued

[Dollars in millions]

State	1983 beginning balance	Minus loans outstanding at beginning of 1983	1983 negative beginning balances	Adjusted 1983 beginning balance as a percent of total wages in State
Illinois	0	1,712	−1,712	−2.3
Indiana	125			.4
Iowa	(1)	26	−26	−.2
Kansas	183			1.4
Kentucky	18	96	−78	−.5
Louisiana	28			.1
Maine	21	21	0	0
Maryland	270			1.2
Massachusetts	463			1.2
Michigan	0	1,804	−1,804	−3.2
Minnesota	0	246	−246	−1.0
Mississippi	266			2.8
Missouri	55	90	−35	−.1
Montana	14			.4
Nebraska	77			1.0
Nevada	132			2.1
New Hampshire	77			1.5
New Jersey	142	521	−379	−.8
New Mexico	108			1.8
New York	889			.7
North Carolina	450			1.5
North Dakota	13			.4
Ohio	0	1,306	−1,306	−2.0
Oklahoma	162			.9
Oregon	197			1.4
Pennsylvania	0	1,764	−1,764	−2.5
Puerto Rico	33	66	−33	−.5
Rhode Island	27	102	−75	−1.4
South Carolina	94			.6
South Dakota	10			.4
Tennessee	51			.2
Texas	76			.1
Utah	27			.4
Vermont	9	31	−22	−.3
Virgin Islands	(1)	3	−3	−.7

TABLE 2.—STATE UNEMPLOYMENT TRUST FUND ACCOUNT BALANCES AT THE BEGINNING OF FISCAL YEAR 1983—Continued

[Dollars in millions]

State	1983 beginning balance	Minus loans outstanding at beginning of 1983	1983 negative beginning balances	Adjusted 1983 beginning balance as a percent of total wages in State
Virginia	39			.1
Washington	230			.9
West Virginia	15	105	−90	−1.0
Wisconsin	0	270	−270	−1.0
Wyoming	57			1.5
Total	[2] 9,323	[2] 8,584	[2] −8,186	.1

[1] Less than $500,000.

[2] Figures may not correspond exactly in U.S. Treasury data because of rounding.

Source: U.S. Departments of Labor and Treasury.

The four Federal accounts are: (1) the Employment Security Administration Account (ESAA), which funds administration; (2) the Extended Unemployment Compensation Account (EUCA), which funds the Federal half of the Extended Benefits program; (3) the Federal Unemployment Account (FUA), which funds loans to insolvent State UC programs; and (4) the Federal Employee Compensation Account (FECA), which funds benefits for Federal civilian and military personnel authorized under 5 U.S.C. 85. Federal Unemployment Taxes finance the ESAA, EUCA, and FUA, but general revenues finance the FECA. Present law authorizes loans to ESAA, EUCA, and FUA from the General Fund, which are interest-free for EUCA and FUA, but interest-bearing for ESAA.

Table 3 summarizes the financial status of these Federal accounts at the beginning of fiscal year 1983. The EUCA and FUA owed the General Fund about $15.4 billion. This debt increased to $17.1 billion as of January 1, 1983 because of increased State UC program borrowing from FUA.

TABLE 3.—BALANCES IN THE FEDERAL ACCOUNTS OF THE UNEMPLOYMENT TRUST FUND AT THE BEGINNING OF FISCAL 1983

[In millions of dollars]

Accounts	Beginning balance	Minus general fund advances	Net beginning balance
Employment Security Administration	511	0	511
Extended unemployment compensation	484	−6,800	−6,316
Federal unemployment (State loans)	599	−8,599	−8,000
Federal employee compensation	24	0	24
Total	1,618	−15,399	−13,781

Source: U.S. Department of Treasury.

Recent major legislation

Other major Federal laws passed by recent sessions of Congress and some of their provisions are:

(1) The Employment Security Amendments of 1970 (Public Law 91-373) expanded FUTA coverage primarily to small businesses, nonprofit organizations, and higher educational institutions. It also raised the taxable wage base from the original $3,000 to $4,200 in 1972; increased the minimum, net Federal unemployent tax rate from 0.4 to 0.5 percent in 1970; and created the Federal-State Extended Benefits program.

(2) The Unemployment Compensation Amendments of 1976 (Public Law 94-566), extended FUTA coverage primarily to State-local government workers and certain agricultural and domestic labor. It also raised the taxable wage base to $6,000 in 1978 and temporarily increased the minimum, net Federal unemployment tax rate from 0.5 to 0.7 percent in 1977.

(3) The Omnibus Budget Reconciliation Act of 1980 (Public Law 96-499) added among other provisions a denial of Extended Benefits to claimants under certain circumstances who have rejected a minimum wage job.

(4) The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) imposed interest charges up to 10 percent per annum under certain conditions on loans obtained by State UC programs after April 1, 1982. It also cut an estimated $3 to $4 billion from the Extended Benefits program in fiscal year 1983.

(5) The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) increased the taxable wage base from $6,000 to $7,000 and raised the minimum, net Federal unemployment tax rate to 0.8 percent in 1983. It also raised the gross tax and credit rates in 1985 to 6.2 and 5.4 percent, respectively. This leaves the minimum, net Federal rate unaffected, but raises the maximum, potential, net tax rate in States with delinquent loans from 3.4 to 6.2 percent. The Act also created the temporary Federal Supplemental Compensation program, which authorized 6 to 10 additional weeks of benefits through March 31, 1983.

(6) The Surface Transportation Assistance Act (Public Law 97-424), passed in the lame-duck session of Congress, added 2 to 6

weeks to the Federal Supplemental Compensation program for a combined maximum in that program of 8 to 16 weeks.

BENEFITS

Coverage

In order to qualify for benefits, an unemployed person usually must have worked recently for a covered employer for a specified period of time and for a certain amount of wages. About 88 million individuals are covered by UC. This is approximately 97 percent of all wage and salary workers or about 88 percent of all employed persons.

The Federal Unemployment Tax Act (FUTA) covers certain employers which State laws must also cover for employers in the States to qualify for the 2.7 percent Federal credit. Since employers in the States would lose this credit and their employees would not be covered if the States did not have this coverage, all States cover the following groups: (1) Except for nonprofit organizations, State-local governments, certain agricultural labor, and certain domestic service, FUTA covers employers who paid wages of at least $1,500 during any calendar quarter or who employed at least one worker in at least 1 day of each of 20 weeks in the current or prior year; (2) FUTA covers agricultural labor for employers who paid cash wages of at least $20,000 for agricultural labor in any calendar quarter or who employed 10 or more workers in at least 1 day in each of 20 different weeks in the current or prior year. In addition, section 3306(c)(1) of FUTA exempts certain alien farmworkers until January 1984; and (3) FUTA covers domestic service employers who paid cash wages of $1,000 or more for domestic service during any calendar quarter in the current or prior year.

FUTA requires coverage of nonprofit organization employers of at least four workers for 1 day in each of 20 different weeks in the current or prior year and State-local governments without regard to the number of employees. Nonprofit and State-local government organizations are not, however, required to pay Federal unemployment taxes, but instead may choose to reimburse the system for benefits paid to their laid off employees.

States may cover certain employment not covered by FUTA, but most States have not expanded FUTA coverage significantly. The excluded coverage involves: (1) self-employment; (2) certain agricultural labor and domestic service; (3) service for relatives; (4) service of patients in hospitals; (5) certain student interns; (6) certain alien farmworkers; and (7) certain seasonal camp workers.

The number of covered workers receiving unemployment compensation

Although the Unemployment Compensation (UC) system covers about 88 percent of the employed, less than 50 percent of the unemployed presently receive UC benefits. This compares with a peak of 81 percent of the unemployed receiving UC benefits in April 1975 and a low point of about 40 percent in 1981 prior to the enactment of the Federal Supplemental Compensation program in September 1982.

Generally, job losers receive UC benefits. Yet, in early December 1982, only 5.5 million people received UC when there were an estimated 7.3 million job losers out of the 12 million unemployed. Some of the 1.8 million job losers who were not receiving UC benefits may not have qualified for UC benefits, but others may have run out or "exhausted" their benefits. The number of UC claimants exhausting supplemental benefits in November 1982, the latest monthly data available, was 348,000. This compares to a previous peak of about 185,000 in January 1977. If many UC benefit "exhaustees" remain unemployed, they could account for a substantial proportion of the 1.8 million unemployed job losers without UC benefits. A study of UC exhaustees during the 1975 recession indicated, for example, that about 60 percent were still unemployed 4 months after they ran out of benefits and only about 25 percent were reemployed.[1]

Eligibility

States have developed diverse and complex methods for determining Unemployment Compensation eligibility. In general there are three major factors: (1) the amount of recent employment and earnings; (2) demonstrated ability and willingness to seek and accept suitable employment; and (3) certain disqualifications related to a claimant's most recent job separation or job offer refusal.

Monetary qualifications

Table 4 shows the State monetary qualification requirements in the base year for the minimum and maximum weekly benefit amounts and for the maximum total potential benefits. The base year is a recent 1-year period that most States (39) define as the first 4 of the last 5 completed calendar quarters before the unemployed person claims benefits. Most States require employment in at least 2 calendar quarters of the base year. Qualifying wages for the minimum weekly benefit amount vary from $150 in Hawaii to $2,010 in Michigan. For the maximum weekly benefit amount, the range is $2,413 in Indiana to $19,657 in Colorado. The range of qualifying wages for the maximum total potential benefits, which is the product of the maximum weekly benefit amount and the maximum potential weeks of benefits, is $3,360 in Puerto Rico to $20,750 in West Virginia.

TABLE 4.—MONETARY QUALIFICATION REQUIREMENTS FOR MINIMUM AND MAXIMUM WEEKLY BENEFIT AMOUNTS AND MAXIMUM TOTAL POTENTIAL BENEFITS IN 1983[1]

State	Required total earnings in base year			Minimum work in base year (quarters)[3]
	For minimum weekly benefit	For maximum weekly benefit	For maximum potential benefits[2]	
Alabama	$522	$3,222	$7,020	2Q
Alaska	1,000	16,000	16,000	2Q

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[1] Walter Nicholson and Walter Corson, "A Longitudinal Study of Unemployment Insurance Exhaustees" (Princeton, N.J., 1979), pp. 89–112.

TABLE 4.—MONETARY QUALIFICATION REQUIREMENTS FOR MINIMUM AND MAXIMUM WEEKLY BENEFIT AMOUNTS AND MAXIMUM TOTAL POTENTIAL BENEFITS IN 1983[1]—Continued

State	Required total earnings in base year			Minimum work in base year (quarters)[3]
	For minimum weekly benefit	For maximum weekly benefit	For maximum potential benefits[2]	
Arizona	1,500	4,294	8,968	2Q
Arkansas	930	4,080	10,605	2Q
California	1,200	5,533	8,630	....
Colorado	1,000	19,657	19,657	....
Connecticut	600	6,240	6,240	2Q
Delaware	720	15,496	15,496	....
District of Columbia	450	7,071	14,006	2Q
Florida	400	4,960	12,897	2Q
Georgia	413	4,275	11,956	2Q
Hawaii	150	5,340	5,340	2Q
Idaho	1,138	5,135	13,351	2Q
Illinois	1,600	4,788	4,788	2Q
Indiana	1,500	2,413	8,736	2Q
Iowa	600	4,528	12,324	2Q
Kansas	1,200	4,890	12,711	2Q
Kentucky	1,500	11,772	11,772	2Q
Louisiana	300	6,150	14,348	....
Maine	1,427	3,193	9,671	2Q
Maryland	900	5,508	5,508	2Q
Massachusetts	1,200	5,160	14,331	....
Michigan	[4] 2,010	[4] 8,620	[4] 15,085	2Q
Minnesota	1,724	5,505	13,579	2Q
Mississippi	1,200	4,200	8,187	2Q
Missouri	450	3,150	8,190	2Q
Montana	1,000	6,300	13,309	2Q
Nebraska	600	2,750	8,189	2Q
Nevada	562	5,512	11,619	2Q
New Hampshire	1,700	16,500	16,500	2Q
New Jersey	600	4,710	8,243	2Q
New Mexico	921	4,582	6,153	2Q
New York	800	4,980	4,980	2Q
North Carolina	1,368	6,454	12,948	2Q
North Dakota	1,880	7,000	13,391	2Q
Ohio	400	5,840	7,592	2Q
Oklahoma	1,000	7,350	15,363	2Q
Oregon	1,000	13,960	13,960	2Q

TABLE 4.—MONETARY QUALIFICATION REQUIREMENTS FOR MINIMUM AND MAXIMUM WEEKLY BENEFIT AMOUNTS AND MAXIMUM TOTAL POTENTIAL BENEFITS IN 1983[1]—Continued

State	Required total earnings in base year			Minimum work in base year (quarters)[3]
	For minimum weekly benefit	For maximum weekly benefit	For maximum potential benefits[2]	
Pennsylvania	1,320	8,120	8,120	2Q
Rhode Island	1,340	5,563	11,684	2Q
South Carolina	900	4,563	9,201	2Q
South Dakota	1,568	7,198	10,059	2Q
Tennessee	800	3,960	8,577	2Q
Texas	1,013	6,263	16,174	2Q
Utah	1,200	4,290	12,012	2Q
Virgin Islands	396	3,720	3,720	2Q
Vermont	700	5,820	5,820	2Q
Virginia	2,200	6,900	13,800	2Q
Washington	1,237	4,437	16,019	
West Virginia	1,150	20,750	20,750	2Q
Wisconsin	1,080	5,850	16,770	2Q
Wyoming	960	7,160	15,000	2Q
Puerto Rico	280	3,360	3,360	2Q

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[1] Based on benefits for total unemployment. Amounts payable can be stretched out over a longer period in the case of partial unemployment.

[2] Based on maximum weekly benefit amount paid for maximum number of weeks. Total potential benefits equal a worker's weekly benefit amount times this potential duration.

[3] Number of quarters of work in base year required to qualify for minimum benefits. "2Q" denotes that State directly or indirectly requires work in at least 2 quarters of the base year. States without an entry have the minimum work requirement specified as a wage amount.

[4] Figures obtained from State of Michigan.

Source: U.S. Department of Labor.

Ability to work and availability for work

All State laws provide that, a claimant must be (1) able to work and (2) available for work. These requirements are positive conditions that must be continually met in order to receive benefits.

Only minor variations exist in State laws setting forth the requirements concerning "ability to work." A few States specify that a claimant must be mentally and physically able to work.

"Available for work" is often translated to mean being ready, willing, and able to work. In addition to registration for work at a local employment office, most State laws require that a claimant be actively seeking work or making a reasonable effort to obtain work. Generally, a person may not refuse without good cause an offer of, or referral to "suitable work."

"Suitable work" is generally work in a claimant's customary occupation, which meets certain health, safety, moral, and labor standards. Most State laws list certain criteria by which the "suitability" of a work offer is to be tested. The usual criteria include the degree of risk to a claimant's health, safety, and morals; the physical fitness and prior training, experience, and earnings of the person; the length of unemployment and prospects for securing local work in a customary occupation; and the distance of the available work from the claimant's residence. Generally, as the length of unemployment increases the claimant is required to accept a wider range of jobs.

In addition, Federal law requires States to deny benefits provided under the Extended Benefit and Federal Supplemental Compensation programs to any individual who fails to accept any work that is offered in writing or is listed with the State employment service, or fails to apply for any work to which he or she is referred by the State agency, if the work is within the person's capabilities, pays wages equal to the highest of the Federal or any State or local minimum wage, pays a gross weekly wage that exceeds the person's average weekly unemployment compensation benefits plus any supplemental unemployment compensation (usually private) payable to the individual, and is consistent with the State definition of "suitable" work in other respects.

States must refer extended benefits claimants to any job meeting these requirements. If the State, based on information provided by the individual, determines that the individual's prospects for obtaining work in his or her customary occupation within a reasonably short period are good, the determination of whether any work is "suitable work" is made in accordance with State law rather than the above.

There are certain circumstances under which Federal law provides that State and extended benefits may not be denied. A State may not deny benefits to an otherwise eligible individual for refusing to accept new work under any of the following conditions: (1) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (2) if the wages, hours, or other conditions of the work offered are substantially less favorble to the individual than in those prevailing for similar work in the locality; (3) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization. Further, benefits may not be denied solely on the grounds of pregnancy. The State is prohibited from canceling wage credits or totally denying benefits except in cases of misconduct, fraud, or receipt of disqualifying income.

There are also certain conditions under which Federal law requires that benefits be denied. For example, benefits must be denied to teachers and other professional employees of education institutions during summer (and other vacation periods) if they have a reasonable assurance of reemployment; to professional athletes between sport seasons; and to aliens not legally admitted to work in the United States. Also, at State option, nonprofessional employees of educational institutions may be denied benefits between academic terms.

Disqualifications

The major causes for disqualification from benefits are not being able to work or available for work, voluntary separation from work without good cause, discharge for misconduct connected with the work, refusal of suitable work without good cause, and unemployment resulting from a labor dispute. Disqualification for one of these reasons may result in a postponement of benefits for some prescribed period, a cancellation of benefit rights, or a reduction of benefits otherwise payable.

Of the 27.2 million "monetarily eligible" initial UI claims in fiscal year 1982, 15.8 percent were disqualified. This figure subdivides into 4.4 percent for not being able to work or available for work, 4.0 percent for voluntarily leaving a job without good cause, 2.5 percent for being fired for misconduct on the job, 0.2 percent for refusing suitable work, and 4.7 percent for committing other disqualifying acts. The total disqualification rate ranged from a low of 3.8 percent in North Carolina to a high of 67.9 percent in Nebraska with Colorado the next highest at 49.0 percent. (Note that a claimant can be disqualified for any week claimed so that it is possible for a claimant to be disqualified more times than the total number of his initial claims in his benefit year.)

Federal law requires that benefits provided under the extended benefits program will be denied to an individual for the entire spell of his or her unemployment if he or she was disqualified from receiving State benefits because of voluntarily leaving employment, discharge for misconduct, or refusal of suitable work. Extended benefits will be denied even though the disqualification was subsequently lifted with respect to the State benefits prior to reemployment. The person could receive extended benefits, however, if the disqualification is lifted because he or she became reemployed and met the work or wage requirement of State law.

Ex-service members

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established new requirements for the payment of benefits to ex-service members under the Unemployment Compensation for Ex-Service Members (UCX) program. Under the Act, benefits were limited to individuals who (1) had 365 or more days of military service; (2) were discharged or released under honorable conditions; (3) did not resign or voluntarily leave the service (i.e., they were not eligible for reenlistment); and (4) were not released or discharged "for cause' as defined by the Department of Defense. The requirements applied to individuals who left Federal military service on or after July 1, 1981, but only for weeks of unemployment that began on or after August 13, 1981, the date of enactment of Public Law 97-25.

The Miscellaneous Revenue Act of 1982 (Public Law 97-32) modified the above eligibility requirements for ex-service members. Federal unemployment benefits are now payable to unemployed ex-service members who: (1) are separated under honorable conditions (and, in the case of officers, did not resign for the good of the service); and (2) have completed the first full term of active service they agreed to serve. Ex-service members who are separated prior to completing their first full term of active service can qualify for unemployment compensation benefits if they are separated under honorable conditions: (a) for the convenience of the Government under an early release program; (b) because of medical disqualification, pregnancy, parenthood, or any service-incurred injury or disability; (c) because of hardship; or (d) if they have served for 365 continuous days, because of personality disorder or inaptitude. In addition to these eligibility requirements, ex-service members must wait 4 weeks from the date of their separation from the service before they may receive benefits. The maximum number of weeks of benefits an ex-service member may receive based on his employment in the military is 13. These eligibility provisions are effective for separations from the service on or after July 1, 1981, but only for weeks of unemployment beginning on or after October 25, 1982.

Pension offset

The Unemployment Compensation Amendments of 1976 (Public Law 94–566) required all States to reduce an individual's unemployment compensation benefits by the amount of any governmental or private pension or retirement pay received by the individual. Public Law 96–364 modified this offset requirement.

Under current law, States are required to make the offset only in those cases in which the work-related pension was maintained or contributed to by a "base period" or "chargeable" employer. Entitlement to, and the amount and duration of, unemployment benefits are based on work performed during this State-specified base period. A "chargeable" employer is one whose account will be charged for unemployment compensation received by the individual.

States are allowed to reduce the amount of the offset by an amount consistent with any contribution the employee made toward the pension. For example, this will allow States to limit the offset to one-half of the amount of a social security pension received by an individual who qualifies for unemployment benefits.

Taxation of unemployment insurance benefits

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97–248) lowered the income threshold at which point State and Federal unemployment insurance benefits would be subject to Federal income tax. Effective for taxable years beginning after December 31, 1981, the amount of unemployment insurance benefits subject to Federal tax is, generally, an amount equal to the lower of the amount of unemployment compensation or one-half the excess of adjusted gross income, unemployment insurance payments, and excludable disability income over $12,000 for single taxpayers, over $18,000 for married taxpayers filing jointly, and over zero for married taxpayers filing separately. The threshold under prior law was $20,000 for single taxpayers and $25,000 for married taxpayers filing jointly.

The following is an example of how to compute the amount of unemployment compensation subject to Federal income tax for a husband and wife filing jointly:

Adjusted gross income	$17,000
Unemployment compensation	2,000
Excludable disability income	0

In determining the amount of unemployment compensation subject to Federal income tax, the taxpayer first adds adjusted gross income ($17,000) plus unemployment compensation ($2,000) plus excludable disability income (0). This equals $19,000 in this example.

The amount of unemployment compensation subject to Federal income tax is the lesser of:

(1) the total amount of unemployment compensation ($2,000 in this example); or

(2) one-half the excess of adjusted gross income, unemployment compensation, and excludable disability income over $18,000. The excess is $1,000 in this example ($19,000 minus $18,000). One-half the excess equals $500.

The amount of unemployment compensation subject to Federal income tax for this taxpayer is $500. This amount would be added to their adjusted gross income, giving them a total adjusted gross income of $17,500.

Amount and duration of weekly benefits

In general, the States set weekly benefit amounts as a fraction of the individual's average weekly wage up to some State-determined maximum. The total maximum duration available under current law, including the temporary Federal supplemental compensation program, is between 34 and 55 weeks. The permanent, regular State programs usually provide up to 26 weeks. The permanent Federal-State extended benefits program provides up to 13 additional weeks in States where unemployment rates are relatively high. The temporary Federal supplemental compensation (FSC) program provides up to 8 to 16 additional weeks in all States, depending on unemployment rates in each State. The FSC program expires, however, on March 31, 1983.

The State-determined weekly benefit amounts generally replace between 50 and 70 percent of the individual's average weekly pre-tax wage up to some State-determined maximum. The average weekly wage is often calculated only from the calendar quarter in the base year in which the claimant's wages were highest. The State-determined maximum weekly benefit amounts generally vary between 50 and 70 percent of the average weekly covered wage in each State. Individual wage replacement rates tend to vary inversely with the claimant's average weekly pre-tax wage with high wage earners receiving quite low wage replacement rates. Partly as a result, the national average weekly benefit amount as a percent of the average weekly covered wage was only 38 percent in fiscal year 1982.

Table 5 shows the minimum and maximum weekly benefit amounts and potential duration for each State program. In fiscal year 1982, the national average weekly benefit amount was $116 and the average duration was 15.2 weeks, making the average total benefits $1,763. The minimum weekly benefit amounts for 1983 vary from $5 in Hawaii to $58 in Alaska. The maximum weekly benefit amounts range from $84 in Indiana and Puerto Rico to $258 in Massachusetts. Most States vary the duration of benefits with the amount of earnings the claimant has in his base year. Ten States provide the same duration, however, for all claimants. The minimum durations range from 1 week in Wisconsin to 28 weeks in West Virginia. The maximum duration is 26 weeks in 45 States. Only Puerto Rico has a maximum duration less 26 weeks at 20 weeks and 7 States have maximum durations higher than 26 weeks up to 34 weeks in the District of Columbia and Wisconsin.

Compared to the beginning of 1982, the minimum weekly benefit amount increased in 17 States. The maximum weekly benefit amount increased in 35 States. The national average weekly benefit amount increased from $102 in fiscal year 1981 to $116 in fiscal year 1982, or by 14 percent. This comparatively large percentage increase partly resulted, however, from proportionately more high wage workers receiving benefits because of layoffs during the recession in fiscal year 1982. The average duration decreased from 15.4 weeks in fiscal year 1981 to 15.2 weeks in fiscal year 1982. Therefore, the average total benefits increased by $192 or 12 percent.

TABLE 5.—AMOUNT AND DURATION OF WEEKLY BENEFITS FOR TOTAL UNEMPLOYMENT UNDER THE REGULAR STATE PROGRAMS

State	1983 weekly benefit amount[1]		1982 average weekly benefit	1983 potential duration (weeks)		1982 average duration (weeks)
	Minimum	Maximum		Minimum	Maximum	
Alabama	$15	$90	$77	11	26	12
Alaska	34–58	156–228	126	16	26	15
Arizona	40	115	96	12	26	14
Arkansas	31	136	90	10	26	12
California	30	166	97	12	26	18
Colorado	25	190	134	7	26	12
Connecticut	15–22	156–206	114	26	26	13
Delaware	20	150	96	18	26	14
District of Columbia	13–14	206	136	17	34	22
Florida	10	125	91	10	26	13
Georgia	27	115	91	4	26	10
Hawaii	5	178	123	26	26	15
Idaho	36	159	109	10	26	15
Illinois	51	168–224	142	26	26	18
Indiana	40	84–141	92	9	26	13
Iowa	17–21	158–190	130	15	26	13
Kansas	40	163	123	10	26	14
Kentucky	22	140	110	15	26	15
Louisiana	10	205	135	12	28	16
Maine	22–27	124–186	93	7	26	15
Maryland	25–28	153	112	26	26	16
Massachusetts	14–21	172–258	109	9	30	16
Michigan	41–44	197	149	13	26	17

TABLE 5.—AMOUNT AND DURATION OF WEEKLY BENEFITS FOR TOTAL UNEMPLOYMENT UNDER THE REGULAR STATE PROGRAMS—Continued

State	1983 weekly benefit amount[1]		1982 average weekly benefit	1983 potential duration (weeks)		1982 average duration (weeks)
	Minimum	Maximum		Minimum	Maximum	
Minnesota	30	184	132	11	26	15
Mississippi	30	105	76	13	26	13
Missouri	14	105	89	10	26	13
Montana	39	158	111	8	26	13
Nebaska	12	106	94	17	26	13
Nevada	16	149	112	11	26	15
New Hampshire	26	132	91	26	26	9
New Jersey	20	158	109	15	26	17
New Mexico	29	142	101	19	26	15
New York	25	125	95	26	26	19
North Carolina	15	166	95	13	26	10
North Dakota	47	175	123	12	26	13
Ohio	10	147–233	138	20	26	16
Oklahoma	16	197	130	20	26	10
Oregon	44	175	114	8	26	17
Pennsylvania	35–40	205–213	133	26	30	17
Rhode Island	37–42	154–174	104	12	26	15
South Carolina	21	118	91	14	26	11
South Dakota	28	129	108	18	26	12
Tennessee	20	110	85	13	26	14
Texas	27	168	120	14	26	11
Utah	10	166	125	10	26	15
Virgin Islands	15	124	83	26	26	20
Vermont	18	146	101	26	26	14
Virginia	44	138	102	12	26	10
Washington	49	178	123	16	30	17
West Virginia	18	211	119	28	28	15
Wisconsin	37	196	131	1	34	14
Wyoming	24	180	131	12	26	12
Puerto Rico	7	84	63	20	20	NA

[1] A range of amounts is shown for those States which provide dependents allowances.

NA: Not available.

Source: U.S. Department of Labor.

EXTENDED BENEFITS

The Extended Benefits program provides one-half of a claimant's total State benefits up to 13 weeks in States with an activated program for a combined maximum of 39 weeks of Regular and Extended Benefits. Weekly benefit amounts are identical to the State benefits for each claimant. The program activates in a State under two conditions: (1) if the State's 13-week average insured unemployment rate (IUR) in the most recent week is at least 120 percent of the average of its 13-week IUR's in the last 2 years for the same 13-week calendar period and its current 13-week average IUR is at least 5.0 percent; or (2) at State option, if its current 13-week average IUR is at least 6.0 percent. Only 14 State programs have not adopted the second, optional condition. The 13-week average IUR is the ratio of the average number of insured unemployed people under the Regular State programs in the last 13 weeks to the average covered employment in the first 4 of the last 6 completed calendar quarters. Table 6 shows the 13-week IUR's by State for the first week in January 1980, 1981, 1982, and 1983. As indicated in the last column, there were 14 States with an activated EB program in the first week of January 1983.

TABLE 6.—STATE EXTENDED BENEFIT INDICATORS FOR THE FIRST WEEK IN JANUARY 1980, 1981, 1982, AND 1983

	13-week insured unemployment rate				Percent of prior 2 years	Date extended benefits triggered on
	1980	1981	1982.	1983		
Alabama	3.49	4.36	4.31	6.00	138	Oct. 31, 1982
Alaska	7.46	7.67	6.85	6.89	94	Off.
Arizona	1.59	2.31	2.49	4.36	181	Off.
Arkansas	3.68	4.78	4.84	6.08	126	Oct. 3, 1982
California	3.07	3.73	3.84	5.32	137	Off.
Colorado	1.36	1.93	2.05	3.45	157	Off.
Connecticut	2.12	2.53	2.55	3.42	134	Off.
Delaware	2.41	3.55	3.41	3.17	91	Off.
District of Columbia	2.40	2.58	2.03	3.82	126	Off.
Florida	1.78	1.81	1.79	2.58	140	Off.
Georgia	2.05	2.32	2.97	3.46	130	Off.
Hawaii	3.11	2.86	3.29	3.58	116	Off.
Idaho	3.76	4.39	5.83	6,81	133	Oct. 18, 1981.
Illinois	3.18	4.35	4.09	5,84	138	March 7, 1982.
Indiana	2.77	3.38	3.75	5.18	145	Jan. 16, 1983.
Iowa	1.74	3.05	3.10	4.25	137	Off.
Kansas	1.50	2.56	2.41	4.26	171	Off.
Kentucky	3.66	4.73	4.63	5.92	126	Dec. 5, 1982.
Louisiana	2.22	2.46	2.79	5.36	201	Off.
Maine	3.67	4.26	4.00	4.42	107	Off.
Maryland	2.25	3.05	3.40	4.26	132	Off.
Massachusetts	2.82	3.19	3.45	3.93	118	Off.
Michigan	6.00	6.14	6.18	7.43	118	Feb. 28, 1982.
Minnesota	1.86	2.72	2.87	4.05	145	Off.

TABLE 6.—STATE EXTENDED BENEFIT INDICATORS FOR THE FIRST WEEK IN JANUARY 1980, 1981, 1982, AND 1983—Continued

	13-week insured unemployment rate				Percent of prior 2 years	Date extended benefits triggered on
	1980	1981	1982.	1983		
Mississippi	2.57	3.97	4.31	6.19	153	Jan. 17, 1982.
Missouri	3.02	3.91	3.76	4.32	112	Off.
Montana	3.03	3.93	4.13	4.89	121	Off.
Nebraska	1.02	1.77	2.06	1.77	142	Off.
Nevada	2.31	3.50	3.66	4.92	142	Off.
New Hampshire	1.41	1.98	2.06	2.87	142	Off.
New Jersey	4.22	4.26	4.15	[1] 4.24	103	Off.
New Mexico	2.04	2.87	2.57	4.07	149	Off.
New York	3.63	3.58	3.34	3.85	111	Off.
North Carolina	1.93	3.06	3.69	4.58	135	Off.
North Dakota	1.82	2.52	2.15	3.20	137	Off.
Ohio	3.41	4.43	4.79	6.06	131	Jan. 17, 1982.
Oklahoma	1.36	1.52	1.44	4.06	270	Off.
Oregon	3.65	5.09	6.55	6.63	113	Off.
Pennsylvania	4.13	4.66	4.78	7.30	154	Jan. 24, 1982.
Puerto Rico	9.10	7.87	8.67	8.96	108	Feb. 23, 1975.
Rhode Island	4.51	4.52	4.85	5.24	111	Off.
South Carolina	2.44	3.78	4.38	5.63	137	Jan. 10, 1982.
South Dakota	1.13	2.11	2.00	[1]2.08	104	Off.
Tennessee	3.33	4.02	4.39	[1]4.53	117	Off.
Texas	1.20	1.53	0.99	2.85	198	Off.
Utah	1.98	2.95	3.03	4.83	161	Off.
Vermont	3.40	3.95	3.80	4.99	128	Off.
Virgin Islands	1.33	1.73	1.87	4.18	115	Off.
Virginia	3.11	2.78	3.48	2.30	127	Off.
Washington	3.19	4.57	5.53	6.60	130	July 6, 1980.
West Virginia	3.97	5.48	4.72	8.59	168	April 18, 1982.
Wisconsin	3.20	5.04	4.91	5.74	115	Off.
Wyoming	0.81	1.56	1.79	4.54	268	Off.
U.S. average	3.17	3.79	3.90	5.23	([2])	([2])

[1] Last week in 1982.

[2] Not applicable.

Source: U.S. Department of Labor.

FEDERAL SUPPLEMENTAL COMPENSATION

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the Federal Supplemental Compensation program (FSC) which provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. Weekly benefit amounts are identical to regular State program benefits for each claimant. As originally enacted, the FSC program provided 10, 8, or 6 additional weeks of benefits. The Surface Transportation Assistance Act of 1982 (Public Law 97-424) increased the maximum number of weeks of FSC benefits to 16, 14, 12, 10, or 8, depending on the State where the individual qualified for the benefits between September 12, 1982 and March 31, 1983.

Beginning with the week of January 9, 1983, the FSC program provides the following maximum weeks of benefits:

(1) 16 weeks in States with an insured unemployment rate (IUR) exceeding 6.0 percent;

(2) 14 weeks in States that were triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(3) 12 weeks in States with an IUR of at least 4.5 percent that have not been triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(4) 10 weeks in States with an IUR of at least 3.5 percent, but less than 4.5 percent and that have not been triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(5) 8 weeks for all other States.

In order to be eligible for these benefits, an individual must have exhausted his regular State benefits and any extended benefits to which he was entitled and (1) his benefit year must end on or after June 1, 1982 or (2) he must have been eligible for extended benefits for any week beginning on or after June 1, 1982.

When an individual is determined to be eligible for State unemployment compensation benefits, he generally has 52 weeks, known as the benefit year, in which to collect the benefits to which he is entitled. In most States, the benefit year begins with the first week for which a valid claim for benefits was filed. Therefore, in most States, if an individual first filed a valid claim for unemployment compensation benefits for a week beginning on or after June 1, 1981, he should be eligible for FSC benefits. If an individual's benefit year ends before June 1, 1982, but he was eligible to receive extended benefits for any week beginning on or after June 1, 1982, he will be eligible for FSC benefits.

If an individual is eligible for FSC benefits, the number of weeks of such benefits is determined in relation to the number regular State benefits to which he was entitled. An eligible individual will receive the lesser of 65 percent of the number of weeks of regular State benefits to which he was entitled or the maximum number of weeks of FSC benefits provided in the State where he qualified for the benefits.

HYPOTHETICAL BENEFIT LEVELS FOR VARIOUS WORKERS IN SELECTED REGULAR STATE PROGRAMS

The following five tables (Tables 7-11) illustrate the amount and duration of benefits various workers can receive in selected regular State programs. All of the benefit amounts are for January 1983. Table 6 shows the amount of the weekly benefit for full year workers. The first column A of the table is for a full time worker earning the minimum wage; the second column B is for a worker earning $6 per hour while the third column C shows benefit amounts for a worker earning $9 per hour. The final column D is a part-time worker earning the minimum wage and working 20 hours per week. There is very little variance in the weekly benefit amount for the minimum wage worker (from $67 to $90) with all but two States clustered between $67 and $77 per week. The maximum amount a worker can receive in each State varies considerably, from $90 to $224 per week.

Table 7 shows the maximum amount of benefits these workers can receive under their regular State program if they are unable to obtain work for the maximum duration of their benefits. In most instances this amount is simply 26 weeks times the weekly benefit amount shown in Table 6.

Table 8 is identical to Table 6 except that it shows the weekly benefit amount for part year and part-time workers. In all of these examples there is considerable variation among the States. In fact, in many States an individual is ineligible while in other States the individual can receive benefits for 26 weeks. The actual amount of wages earned by each worker during the base period is shown in the footnotes. Table 9 shows the number of weeks benefits that can be received in each State if the worker is unable to obtain work. Table 10 is simply the weekly benefit amount multiplied by the maximum number of weeks a worker can draw benefits. It should be emphasized that these are hypothetical amounts.

TABLE 7.—WEEKLY BENEFIT AMOUNT FOR VARIOUS FULL-YEAR WORKERS IN SELECTED STATES

	A	B	C	D
Alabama	73	90	90	36
Arkansas	67	120	136	34
California	68	105	142	38
Connecticut	77	130	186	44
Florida	67	120	125	34
Georgia	70	115	115	35
Hawaii	70	125	178	35
Illinois	81	144	224	52
Indiana	75	99	128	....
Louisiana	70	125	188	35
Massachusetts	67	120	184	34
Michigan	76	126	188	....
Minnesota	71	120	180	40
Missouri	79	105	105	40
New Jersey	90	158	158	45
New York	67	120	125	35
North Carolina	67	120	166	34
North Dakota	67	120	175	....
Ohio	67	120	187	34
Oklahoma	70	125	188	35
Pennsylvania	77	132	198	43
South Carolina	67	118	118	34
Tennessee	67	103	110	34
Texas	70	125	168	35

A. $3.35/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.
B. $6.00/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.
C. $9.00/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; 2 children.
D. $3.35/hr. wage; 20 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.

Source: U.S. Department of Labor.

TABLE 8.—TOTAL POTENTIAL BENEFITS FOR VARIOUS WORKERS IN SELECTED STATES [1]

	A	B	C	D
Alabama	1,898	2,340	2,340	936
Arkansas	1,742	3,120	3,536	884
California	1,768	2,730	3,692	988
Connecticut	2,002	3,380	4,836	1,144
Florida	1,742	3,120	3,250	884
Georgia	1,750	2,990	2,990	875
Hawaii	1,820	3,250	4,628	910
Illinois	2,106	3,744	5,824	1,352
Indiana	1,725	2,574	3,328	....
Louisiana	1,960	3,500	5,264	980
Massachusetts	2,010	3,600	5,520	1,020
Michigan	1,976	3,276	4,888	....
Minnesota	1,846	3,120	4,680	1,040
Missouri	2,054	2,730	2,730	1,040
New Jersey	2,340	4,108	4,108	1,170
New York	1,742	3,120	3,250	910
North Carolina	1,742	3,120	4,316	884
North Dakota	1,742	3,120	4,550	....
Ohio	1,742	3,120	4,862	884
Oklahoma	1,820	3,250	4,888	910
Pennsylvania	2,310	3,960	5,940	1,290
South Carolina	1,742	3,068	3,068	884
Tennessee	1,742	2,678	2,860	884
Texas	1,820	3,250	4,368	910

[1] Total potential benefit is the total amount of benefits available to the worker under the regular state program assuming the individual is unable to obtain work. In most cases, it is the amount in Table 7 multiplied by 26 (i.e., the maximum length of time benefits are available).

A. $3.35/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; no children.
B. $6.00/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; no children.
C. $9.00/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; 2 children.
D. $3.35/hr. wage; 20 hrs./wk.; 52 wks./yr; nonworking spouse; no children.

Source: U.S. Department of Labor.

TABLE 9.—WEEKLY BENEFIT AMOUNT FOR VARIOUS PART-YEAR WORKERS IN SELECTED STATES

	A	B	C	D	E
Alabama			30	90	90
Arkansas	67	136		111	92
California	68	116	31	99	87
Connecticut			38	140	103
Florida			60	120	94
Georgia			29	115	97
Hawaii	70	146	29	116	96
Illinois	81	168	51	148	112
Indiana				128	99
Louisiana	70	146	35	116	96
Massachusetts	67	140	30	123	89
Michigan			68	132	93
Minnesota	71	140	65	120	94
Missouri	79	105	33	105	105
New Jersey	90	158	80	158	126
New York			59	120	94
North Carolina			27	111	92
North Dakota				111	93
Ohio			59	120	94
Oklahoma			29	116	96
Pennsylvania				125	103
South Carolina			28	111	93
Tennessee		110	28	97	85
Texas			29	116	96

A. $3.35/hr. wage; 40 hrs./wk.; 18 wks./yr.; $2,412 total yr. wages; $1,742 high quarter wages.

B. $7.00/hr. wage; 40 hrs./wk.; 18 wks./yr.; $5,040 total yr. wages; $3,640 high quarter wages.

C. $4.75/hr. wage; 25 hrs./wk.; 24 wks./yr.; $2,850 total yr. wages; $712.50 high quarter wages.

D. $8.00/hr. wage; 30 hrs./wk.; 30 wks./yr.; $7,200 total yr. wages; $2,880 high quarter wages.

E. $4.25/hr. wage; 40 hrs./wk.; 30 wks./yr.; plus $6.00 hr./wage, 40 hrs./wk.; 10 wks./yr.; $7,500 total yr. wages; $2,400 high quarter wages.

Note.—All of these examples assume a nonworking spouse and no children, except example D which has 2 children.

Source: U.S. Department of Labor.

TABLE 10.—TOTAL WEEKS OF POTENTIAL BENEFITS FOR VARIOUS PART-YEAR WORKERS IN SELECTED STATES [1]

	A	B	C	D	E
Alabama			26	26	26
Arkansas	12	12		22	26
California	18	22	26	26	26
Connecticut			26	26	26
Florida			12	15	20
Georgia			25	16	19
Hawaii	26	26	26	26	26
Illinois	26	26	26	26	26
Indiana				14	19
Louisiana	14	14	28	25	28
Massachusetts	13	13	30	21	30
Michigan			14	22	21
Minnesota	13	13	17	21	26
Missouri	10	16	26	23	24
New Jersey	14	14	18	23	26
New York			26	26	26
North Carolina			26	22	26
North Dakota				20	26
Ohio			24	26	26
Oklahoma			26	21	26
Pennsylvania				30	30
South Carolina			26	22	26
Tennessee		15	26	25	26
Texas			26	17	21

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[1] Total weeks of potential benefit is the maximum number of weeks the worker can receive benefits if he is unable to obtain work.

A. $3.35/hr. wage; 40 hrs./wk.; 18 wks./yr.; $2,412 total yr. wages; $1,742 high quarter wages.
B. $7.00/hr. wage; 40 hrs./wk.; 18 wks./yr.; $5,040 total yr. wages; $3,640 high quarter wages.
C. $4.75/hr. wage; 25 hrs./wk.; 24 wks./yr.; $2,850 total yr. wages; $712.50 high quarter wages.
D. $8.00/hr. wage; 30 hrs./wk.; 30 wks./yr.; $7,200 total yr. wages; $2,880 high quarter wages.
E. $4.25/hr. wage; 40 hrs./wk.; 30 wks./yr.; plus $6.00 hr./wage, 40 hrs./wk.; 10 wks./yr.; $7,500 total yr. wages; $2,400 high quarter wages.

Note.—All of these examples assume a nonworking spouse and no children, except example D which has 2 children.

Source: U.S. Department of Labor.

TABLE 11.—TOTAL BENEFIT FOR VARIOUS PART-YEAR WORKERS IN SELECTED STATES [1]

	A	B	C	D	E
Alabama			780	2,340	2,340
Arkansas	804	1,632		2,442	2,392
California	1,224	2,552	806	2,574	2,262
Connecticut			988	3,640	2,678
Florida			720	1,800	1,880
Georgia			725	1,840	1,843
Hawaii	1,820	3,796	754	3,016	2,496
Illinois	2,106	4,368	1,326	3,848	2,912
Indiana				1,792	1,881
Louisiana	980	2,044	908	2,900	2,688
Massachusetts	871	1,820	900	2,583	2,670
Michigan			952	2,904	1,953
Minnesota	923	1,820	1,105	2,520	2,444
Missouri	790	1,680	858	2,415	2,520
New Jersey	1,260	2,212	1,440	3,634	3,276
New York			1,534	3,120	2,444
North Carolina			702	2,442	2,392
North Dakota				2,200	2,418
Ohio			1,416	3,120	2,444
Oklahoma			754	2,436	2,496
Pennsylvania				3,750	3,090
South Carolina			728	2,442	2,418
Tennessee		1,650	728	2,425	2,210
Texas			754	1,972	2,016

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[1] Total potential benefit is the total amount of benefits available to the worker under the regular state program assuming the individual is unable to obtain work. It is the amount in Table 9 multiplied by Table 10.

A. $3.35/hr. wage; 40 hrs./wk.; 18 wks./yr.; $2,412 total yr. wages; $1,742 high quarter wages.
B. $7.00/hr. wage; 40 hrs./wk.; 18 wks./yr.; $5,040 total yr. wages; $3,640 high quarter wages.
C. $4.75/hr. wage; 25 hrs./wk.; 24 wks./yr.; $2,850 total yr. wages; $712.50 high quarter wages.
D. $8.00/hr. wage; 30 hrs./wk.; 30 wks./yr.; $7,200 total yr. wages; $2,880 high quarter wages.
E. $4.25/hr. wage; 40 hrs./wk.; 30 wks./yr.; plus $6.00 hr./wage, 40 hrs./wk.; 10 wks./yr.; $7,500 total yr. wages; $2,400 high quarter wages.

Note.—All of these examples assume a non-working spouse and no children except example D which has 2 children.

Source: U.S. Department of Labor.

FINANCING

The Federal unemployment tax

Total unemployment taxes on employers for a full-time, full-year worker earning at least $7,000 in 1983 probably will average about $240 or 12 cents per hour. The Federal portion is $56 or 3 cents per hour and the average State portion is about $182 or 9 cents per hour. The State portion will vary substantially, however, depending on the State taxable wage base and tax rates.

The Federal Unemployment Tax Act (FUTA) currently imposes a minimum, net Federal payroll tax on employers of 0.8 percent on the first $7,000 paid annually to each employee. The gross FUTA tax rate is 3.5 percent, but employers in States meeting certain Federal requirements and having no delinquent Federal loans are eligible for a 2.7 percent credit, making the minimum, net Federal tax rate 0.8 percent.

Employers in States with delinquent Federal loans may face increases in their FUTA tax rate stemming from automatic reductions in the FUTA credit. States with outstanding loans from the Federal Government must repay them fully by November 10 of the calendar year in which the second consecutive January first passes with the State still having an outstanding loan. This means that a State may have from about 22 to 34 months to repay the loan without penalty, depending on when it obtained the outstanding loan. If it does not repay fully by the appropriate November 10, it becomes subject to an annual credit reduction beginning with the preceding January 1 until the State repays the loan fully. Employers must pay the additional taxes resulting from the credit reduction no later than January 31 of the next calendar year.

The credit reduction is at least 0.3 percent per year beginning with the calendar year in which the second consecutive January first passes during which the loan is outstanding and ending in the tenth ensuing calendar year with a 0.1 percent increase to the maximum FUTA tax rate of 3.5 percent. There are two potential additional credit reductions during the ensuing calendar years in which a State has an outstanding advance: (1) in the calendar year after which the third and fourth consecutive January firsts pass, the employers in the State face a reduction by the amount that 2.7 percent exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies; (2) in the calendar years in which the fifth through ninth consecutive January firsts pass, the employers face a reduction equal to the higher of the amount in (1) or the amount that the State's 5-year benefit cost rate exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies. The 5-year benefit-cost rate is one-fifth of the UC benefits paid in the first 5 of the last 6 completed calendar years preceding the calendar year to which the credit reduction applies divided by taxable wages in the last calendar year.

The Omnibus Budget Reconciliation Act of 1981 modified FUTA provisions regarding Federal unemployment loans to the States. Effective April 1, 1982 through December 31, 1987, States will be charged interest on new loans that are not repaid by the end of the fiscal year in which they are obtained. Under previous law, States could receive these loans interest-free. The interest rate is the same rate as that paid by the Federal Government on State reserves in the Federal Unemployment Trust Fund for the quarter ending December 31 of the preceding year, but not higher than 10 percent per annum. A State may not pay the interest directly or indirectly from funds in their State accounts in the Federal Unemployment Trust Fund.

Effective for taxable years beginning January 1, 1981, and ending December 31, 1987, in States that meet certain solvency requirements, the 0.3 percent per year increase in the *net* FUTA tax resulting from overdue Federal loans may be limited to the higher of: (a) the total of any such increases in effect in the year prior to the year the State meets the solvency requirements; or (b) 0.6 percent. There are four solvency requirements. The first two requirements apply for taxable years 1981 through 1987; the last two requirements apply only for taxable years 1983 through 1987. A State qualifies for the limitation if the Secretary of Labor determines by November 10 of the tax year in question that:

(1) the State has not reduced its State unemployment taxes;

(2) the State has taken no action that results in a decrease in the solvency of the State's Unemployment Trust Fund Account (e.g., if it increases benefits it must provide for a commensurate increase in State unemployment taxes);

(3) the average unemployment tax rate (taxes divided by total wages) in the State equals or exceeds the average unemployment benefit-cost rate (i.e., benefits divided by total wages) for the past 5 years; and

(4) the State's outstanding loan balance on September 30 of the tax year in question is not greater than its outstanding loan balance on September 30, 1981, for tax year 1983 and the third preceding September 30 for subsequent years.

As of December 31, 1982, outstanding unemployment loans totaled $10.6 billion. Table 12 shows the loans made to each State. Interest-bearing loans in 11 States were nearly $3.1 billion. Since 1972, States have repayed only $2.9 billion of the total loans they have obtained.

TABLE 12.—ADVANCES TO STATES FROM THE FEDERAL UNEMPLOYMENT ACCOUNT (FUA), AS OF DECEMBER 31, 1982

[In millions of dollars, calendar year]

States	1972–80	1981	1/82–3/82	Interest bearing advances	Repayments	Total outstanding
Alabama	56.7				56.7	
Arkansas	59.2	34.8		13.0	30.0	77.0
Colorado				2.5		2.5
Connecticut	514.0				243.5	270.5
Delaware	47.0	9.5	15.2		17.7	53.9
District of Columbia	73.5			16.0	32.2	57.3
Florida	42.0				42.0	

TABLE 12.—ADVANCES TO STATES FROM THE FEDERAL UNEMPLOYMENT ACCOUNT (FUA), AS OF DECEMBER 31, 1982—Continued

[In millions of dollars, calendar year]

States	1972–80	1981	1/82–3/82	Interest bearing advances	Repayments	Total outstanding
Hawaii	22.5				22.5	
Illinois	984.0	487.0	354.9	441.4	198.2	2,069.1
Iowa				63.7		63.7
Kentucky		52.1	43.6	25.6		121.3
Louisiana				102.4		102.4
Maine	36.4				15.5	20.9
Maryland	62.7				62.7	
Massachusetts	265.0				265.0	
Michigan	1,446.0	233.0	488.0	622.8	624.0	2.185.8
Minnesota	200.2	85.8	77.9	96.1	172.0	288.0
Missouri			89.8			89.8
Montana	10.5				10.5	
Nevada	7.6				7.6	
New Jersey	734.9				214.2	520.7
New York	335.8				335.8	
Ohio	248.0	353.8	392.7	667.4	1.9	1,660.1
Oregon	18.5				18.5	
Pennsylvania	1,444.3	305.0	165.0	544.7	313.8	2,145.2
Puerto Rico	88.7				23.1	65.6
Rhode Island	129.3				27.6	101.7
Texas				142.8		142.8
Vermont	47.9				16.8	31.0
Virgin Island	10.9			(1)	8.2	2.9
Washington	149.4				149.4	
West Virginia	47.2	52.6	5.0	39.3		144.2
Wisconsin			126.7	286.2		412.8
Total	7,102.2	1,613.7	1,758.8	3,064.7	2,909.2	10,629.9

[1] $200,931.24.

Source: U.S. Department of Labor, Unemployment Insurance Service, Division of State Program Management, Tax Administration Group.

The State unemployment taxes

The States finance their programs with employer payroll taxes imposed on at least the first $7,000 paid annually to each employee.[1] States generally adopt a taxable wage base at least as high as the Federal level because they would otherwise lose the 2.7 percent credit on the difference between the Federal taxable wage base and State taxable wage base. Table 13 shows that as of January 1983, 20 States had taxable wage bases higher than the Federal taxable wage base, ranging up to $20,200 in Alaska and all wages in Puerto Rico.

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[1] Alabama, Alaska, and New Jersey also tax employees.

Although the standard State tax rate is 2.7 percent, State tax rates can range from zero on some employers in two States up to a maximum as high as 10.0 percent in Kentucky. Estimated national average State tax rates on taxable wages and total wages in 1982 were 2.6 and 1.1 percent, respectively. Estimated average State tax rates on taxable wages ranged 0.6 percent in Texas to 4.9 percent in Kentucky. Estimated average State tax rates on total wages varied from 0.3 percent in Texas to 3.0 percent in Puerto Rico.

TABLE 13.—STATE UNEMPLOYMENT TAX BASES AND RATES

State	1983 tax base	Estimated 1982 average tax rates as a percent of—		1982 Federal credit (percent)
		Taxable wages	All wages	
U.S. average	(1)	2.6	1.1	NA
Alabama	(1)	1.9	0.9	(2)
Alaska	$20,200	3.0	2.0	(2)
Arizona	(1)	1.2	0.4	(2)
Arkansas	(1)	2.5	1.4	(2)
California	(1)	2.8	1.0	(2)
Colorado	(1)	1.2	0.6	(2)
Connecticut	(1)	2.3	0.8	2.0
Delaware	7,200	3.0	0.9	2.1
District of Columbia	7,500	3.0	1.2	2.1
Florida	(1)	1.0	0.4	(2)
Georgia	(1)	1.4	0.5	(2)
Hawaii	13,800	1.7	1.2	(2)
Idaho	14,400	2.1	1.4	(2)
Illinois	(1)	3.8	1.4	2.1
Indiana	(1)	2.8	1.1	(2)
Iowa	9,400	2.4	1.2	(2)
Kansas	(1)	2.5	1.1	(2)
Kentucky	8,000	4.9	1.9	(2)
Louisiana	(1)	2.1	1.0	(2)
Maine	(1)	3.1	1.3	1.8
Maryland	(1)	2.5	0.8	(2)
Massachusetts	(1)	3.3	1.4	(2)
Michigan	8,000	4.1	1.3	(2)
Minnesota	9,000	2.4	1.1	(2)
Mississippi	(1)	2.9	1.4	(2)
Missouri	(1)	2.7	0.9	(2)

TABLE 13.—STATE UNEMPLOYMENT TAX BASES AND RATES—Continued

State	1983 tax base	Estimated 1982 average tax rates as a percent of—		1982 Federal credit (percent)
		Taxable wages	All wages	
Montana	8,200	2.7	1.4	(2)
Nebraska	(1)	1.8	0.7	(2)
Nevada	10,200	1.7	1.0	(2)
New Hampshire	(1)	1.4	0.6	(2)
New Jersey	8,800	3.4	1.6	2.1
New Mexico	9,300	1.7	0.9	(2)
New York	(1)	3.1	1.1	(2)
North Carolina	(1)	1.6	0.7	(2)
North Dakota	10,150	2.7	1.5	(2)
Ohio	(1)	2.9	1.1	(2)
Oklahoma	(1)	0.8	0.4	(2)
Oregon	12,000	2.9	1.7	(2)
Pennsylvania	(1)	4.1	1.6	2.1
Puerto Rico [3]	(1)	3.0	3.0	2.1
Rhode Island	9,200	4.1	2.3	2.1
South Carolina	(1)	1.9	0.9	(2)
South Dakota	(1)	1.6	0.8	(2)
Tennessee	(1)	2.8	1.0	(2)
Texas	(1)	0.6	0.3	(2)
Utah	14,800	1.7	1.1	(2)
Vermont	(1)	3.2	1.5	2.1
Virginia	(1)	1.8	0.8	(2)
Virgin Islands	8,000	3.1	1.6	2.1
Washington	11,400	3.0	1.7	(2)
West Virginia	8,000	4.8	2.1	(2)
Wisconsin	(1)	2.7	1.1	(2)
Wyoming	(1)	2.5	1.5	(2)

[1] The 1983 tax base is $7,000 except as otherwise shown in this column.

[2] All figures are 2.7 percent except as otherwise shown in this column. To the extent that this credit is lower than 2.7 percent, these additional taxes were due January 31, 1983.

Note.—This table shows the State unemployment tax levels. It does not include the Federal unemployment taxes.

Source: Department of Labor (based on estimates by State agencies).

Table 14 shows recent data on unemployment compensation covered employment, wages, taxable wages, the ratio of taxable to total wages, and average weekly wages. The downward trend in the national average ratio of taxable wages to total wages continued in 1982 with a drop from 0.38 in 1981 to 0.35 in 1982. The 1983 ratio probably will be somewhat higher however, because the Federal taxable wage base was raised from $6,000 to $7,000 at the beginning of 1983. The ratio of taxable wages to total wages in the States varied from 0.28 in the District of Columbia to 0.70 in Puerto Rico.

TABLE 14.—12-MONTH AVERAGE EMPLOYMENT AND WAGES COVERED BY UNEMPLOYMENT INSURANCE (UI) FOR PERIOD ENDING MARCH 1982

State	Average employment (thousands)	Total wages [1] (millions)	Taxable wages (millions)	Ratio of taxable wages to total wages	Average weekly wages for UI
United States	87,576	1,379,881	489,501	0.35	303
Alabama	1,240	17,076	6,795	0.40	265
Alaska	167	4,393	1,727	0.39	505
Arizona	999	15,318	5,378	0.35	295
Arkansas	703	9,039	4,070	0.45	247
California	9,964	168,799	54,689	0.32	326
Colorado [2]	1,248	20,455	7,590	0.37	315
Connecticut [3]	1,406	23,313	7,415	0.32	319
Delaware	250	4,153	1,248	0.30	319
District of Columbia	369	6,825	1,943	0.28	355
Florida	3,670	50,933	20,131	0.40	267
Georgia	2,061	29,314	11,078	0.38	273
Hawaii	383	5,368	2,951	0.55	269
Idaho	299	4,184	2,292	0.55	269
Illinois [2]	4,408	75,777	25,041	0.33	331
Indiana [2]	1,991	31,756	10,788	0.34	307
Iowa	1,027	14,670	5,853	0.40	375
Kansas	894	12,946	4,500	0.35	276
Kentucky	1,098	16,157	5,848	0.36	283
Louisiana	1,567	25,492	9,096	0.36	313
Maine	397	5,032	2,055	0.41	244
Maryland [2]	1,547	23,052	7,384	0.32	287
Massachusetts	2,533	38,755	14,695	0.38	294
Michigan [2]	3,153	57,857	16,625	0.29	353
Minnesota	1,662	25,579	9,919	0.39	296
Mississippi	762	9,583	3,929	0.41	242
Missouri	1,827	27,502	19,356	0.34	289
Montana	253	3,535	2,123	0.60	268
Nebraska	584	7,767	2,635	0.34	256
Nevada	400	6,330	3,190	0.50	304
New Hampshire	382	5,120	1,972	0.39	257
New Jersey	2,953	49,322	18,772	0.38	321
New Mexico	425	6,154	2,677	0.44	278
New York	7,039	122,710	35,784	0.29	335

TABLE 14.—12-MONTH AVERAGE EMPLOYMENT AND WAGES COVERED BY UNEMPLOYMENT INSURANCE (UI) FOR PERIOD ENDING MARCH 1982—Continued

State	Average employment (thousands)	Total wages [1] (millions)	Taxable wages (millions)	Ratio of taxable wages to total wages	Average weekly wages for UI
North Carolina	2,291	30,071	11,889	0.40	252
North Dakota	221	3,076	1,329	0.43	267
Ohio	4,030	66,188	20,496	0.31	316
Oklahoma	1,140	17,936	6,442	0.36	302
Oregon	943	14,576	6,782	0.47	297
Pennsylvania [2]	4,427	69,522	23,234	0.33	302
Puerto Rico [2]	689	6,217	4,326	0.70	173
Rhode Island	384	5,219	2,262	0.43	261
South Carolina	1,123	14,647	5,811	0.40	251
South Dakota	210	2,521	923	0.37	230
Tennessee [2]	1,641	22,539	8,607	0.38	264
Texas	5,988	98,635	36,587	0.37	317
Utah	495	7,419	3,892	0.52	288
Vermont	192	2,494	940	0.38	247
Virginia [3]	1,924	27,172	9,916	0.36	271
Virgin Islands	36	465	162	0.35	243
Washington [2]	1,526	26,365	12,011	0.46	332
West Virginia	583	9,323	3,767	0.40	307
Wisconsin	1,834	27,442	9,172	0.33	288
Wyoming	213	3,764	1,380	0.37	339

[1] Total wages exceed taxable wages because wages from reimbursable employers are included in the former and because wage base is limited.

[2] Data estimated for 1 quarter.

[3] Data estimated for 3 quarters.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service.

CHANGES MADE BY THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) increased Federal Unemployment Tax rate and taxable wage base. It also made other changes related to the credit reduction on delinquent debtor States and interest charges on loans obtained after March 31, 1982:

(1) Increase in Federal Unemployment Tax Act (FUTA) wage base and rate.

(a) Effective beginning in 1983, the minimum, Federal taxable wage base was increased to $7,000. This meant that 32 States had to raise their taxable wage bases to at least $7,000 or face the loss of the 2.7 percent FUTA credit on the difference. All but 6 of these States have provisions in their State law that automatically conform to this change.

(b) Effective beginning in 1983, the gross FUTA rate increased from 3.4 percent to 3.5 percent, making minimum, net FUTA rate 0.8 percent and the maximum potential FUTA rate in debtor States 3.5 percent.

(c) Effective beginning in 1983, the fraction of the minimum, net FUTA revenue allocated to the Extended Unemployment Compensation Account (EUCA) increased from five-fourteenths or about 35.7 percent to 40 percent or from 0.25 to 0.31 percentage points. This accelerates the rate at which the EUCA repays its debt to the General Fund.

(d) Effective beginning in 1985, the gross FUTA rate will be 6.2 percent and the credit will be 5.4 percent, maintaining the minimum, net FUTA rate at 0.8 percent, but raising the maximum potential tax rate in debtor States from 3.5 percent to 6.2 percent. This will force 32 States to raise their maximum State tax rates to at least 5.4 percent and will force any State tax rates below 5.4 percent to be "experience rated." If these States do not make the appropriate changes, their employers would lose the 5.4 percent FUTA credit. Employers covered by State law that currently permit a constant tax rate (not "experience rated") of at least 2.7 percent but less than 5.4 percent will be allowed, however, to phase in the required increase over a 5-year time span at a rate of at least 20 percent per year.

(2) Credit reductions not to apply when a State makes certain repayments.

Effective beginning in 1983, a State may avoid FUTA credit reduction by meeting the following requirements: (a) it must repay any advances obtained for the year prior to November 10; (b) it must pay the potential additional FUTA taxes resulting from the credit reductions; (c) it must have a balance in its State account of the Unemployment Trust Fund that can cover 3 months' worth of benefits beginning on November 1; and (d) it must have enacted a net increase in program solvency after the later of September 3, 1982, or the date on which it obtained the first advance considered in determining the credit reduction.

(3) Limitation on fifth year reduction.

Effective beginning in 1983, a State may avoid the additional potential FUTA credit reduction coming into effect in the fifth year in which it has an outstanding Federal loan if it has taken no action during the fiscal year ending on September 30 of the tax year that decreased the solvency of its UI program.

(4) Deferral of interest in case of certain States with high unemployment rates.

Effective for interest due after December 31, 1982, a State may pay 25 percent of the amount due in each of 4 years if it had an insured unemployment rate under the EB program of at least 7.5 percent for the first 6 months of the preceding calendar year. Interest on the deferred interest, however, accrues.

(5) Required repayments from Extended Unemployment Compensation Account.

Repayments of General Fund advances to the Extended Unemployment Compensation Account (EUCA) are required whenever the Secretary of the Treasury in consultation with the Secretary of Labor determines that it contains enough funds to cover the Federal share of 3 months worth of Extended Benefits.

Financial effects of the unemployment tax increases

At the beginning of fiscal year 1983, the Unemployment Compensation (UC) system owed the Federal General Fund $15.4 billion. Although the 97th Congress passed legislation aimed at alleviating this problem, officials at the U.S. Department of Labor still projected this debt to increase. In July 1982, they estimated that it would peak at $17.1 billion at the end of fiscal year 1983 and decline to $8.9 billion by the close of fiscal year 1987, the last year of their projection period. Because these estimates were based on optimistic July 1982 economic assumptions, the actual debt could exceed them. As of Janaury 1, 1983, the debt had already reached $17.1 billion.

The UC system debt persists because of State program insolvency. The debt at the beginning of fiscal year 1983 of $15.4 billion had a Federal and a State component: (1) $6.8 billion borrowed to finance the Federal share of previously underfunded Extended Benefit (EB) and Federal Supplemental Benefits (FSB) program outlays; and (2) $8.6 billion borrowed to cover loans to insolvent State UC programs. July 1982 administration projections for the end of fiscal year 1987, however, show a change in composition. The EB program debt was projected at only $0.61 billion and the State debt at $8.35 billion.

The Congress addressed this problem in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) by increasing the Federal Unemployment Tax rate and taxable wage base. These changes increased the estimated Federal and State unemployment tax revenue flowing into the Federal Unemployment Trust Fund as follows:

[Fiscal years (dollars in billions)]

	1983	1984	1985	1986	1987
Increased revenue:					
Federal	0.64	1.09	1.20	1.36	1.46
State	.75	1.27	1.77	1.74	1.61
Total	1.39	2.36	2.97	3.10	3.07

The following estimates show, however, that the total debt will not decrease by the full amount of the tax increases:

[Fiscal years (dollars in billions)]

	1983	1984	1985	1986	1987
Debt:					
Prior law	17.61	17.61	16.41	13.81	10.41
New law	17.11	16.52	15.32	12.30	8.96
Decrease	.50	1.09	1.09	1.51	1.45

This will occur for two reasons: (1) some of the additional Federal revenue will be required to finance the continuation of current extended benefits and administrative outlays; and (2) some of the additional State revenue will come from States that were not projected to borrow, which will increase their State account balances and will have no effect on the debt.

ADMINISTRATION'S FISCAL YEAR 1984 FINANCIAL PROJECTIONS

Federal loans to insolvent State unemployment compensation programs

In its fiscal year 1984 budget, the administration projected total outstanding Federal loans to insolvent State UC programs at $16.9 and $23.4 billion at the ends of fiscal years 1983 and 1984, respectively. It also projected new loans in these years at $8.9 and $7.5 billion, respectively. Table 15 provides a breakdown of the projected new Federal loans and the loan balances in the States obtaining new loans for fiscal years 1983 and 1984. Illinois, Michigan, Ohio, and Pennsylvania account for 59 and 53 percent of the projected new loans in fiscal years 1983 and 1984, respectively.

Interest charges

Table 16 classifies the projected interest charges on Federal loans to insolvent State UC programs at the end of fiscal years 1983 and 1984. The total projected charges are $475 and $1,262 million in fiscal years 1983 and 1984, respectively. Illinois, Michigan, Ohio, Pennsylvania, and Wisconsin account for 71 and 67 percent of the projected interest charges in fiscal years 1983 and 1984, respectively. The total projected interest charges were reduced, however, for certain high unemployment States by $60 and $414 million in fiscal years 1983 and 1984, respectively. These States were projected to qualify for a deferral of interest charges, which would reduce their amounts payable at the end of fiscal year 1983 by 75 percent. The deferred amounts would be due in equal installments over the next three years.

Projected Federal unemployment tax credit reductions

Projected Federal Unemployment Tax credit reductions, or in other words increased Federal Unemployment Taxes in delinquent debtor States, totaled $623 and $978 million in fiscal years 1983 and 1984, respectively. Table 17 shows the State distributions of the projected additional Federal Unemployment Tax revenue and the credit rate reductions for fiscal years 1983 and 1984. The credit rate reductions range from 0.3 percentage points in many States for both years to 1.2 percentage points in seven States for calendar year 1983.

TABLE 15.—PROJECTED NEW FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1983 AND 1984

[Dollars in millions]

State	Projected loans fiscal years		Projected loan balance at end of fiscal years	
	1983	1984	1983	1984
Alabama	121	116	121	237
Arkansas	81	53	135	161
Colorado	62	68	62	131
Connecticut	80	96	30	347
Delaware	2	8	49	46
District of Columbia	59	51	89	124
Idaho	45	61	45	106
Illinois	1,388	995	2,965	3,765
Indiana	80	87	80	167
Iowa	220	151	246	397
Kansas	0	26	0	26
Kentucky	211	132	307	424
Louisiana	310	236	310	546
Maine	20	7	24	12
Maryland	0	78	0	78
Michigan	1,105	816	2,864	3,602
Minnesota	288	216	510	657
Missouri	94	70	184	254
Montana	22	11	22	33
New Jersey	150	207	582	657
North Carolina	0	146	0	146
North Dakota	9	3	9	7
Ohio	1,381	1,047	2,627	3,561
Oklahoma	0	10	0	10
Oregon	50	215	50	265
Pennsylvania	1,399	1,137	3,032	3,975
Puerto Rico	27	20	73	74
Rhode Island	32	28	124	139
South Carolina	98	140	98	238
South Dakota	2	8	2	10
Tennessee	139	108	139	247
Texas	540	232	540	772
Utah	56	59	56	114
Vermont	17	13	43	48

TABLE 15.—PROJECTED NEW FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1983 AND 1984—Continued

[Dollars in millions]

State	Projected loans fiscal years		Projected loan balance at end of fiscal years	
	1983	1984	1983	1984
Virginia	85	74	85	159
Virgin Islands	4	3	6	7
Washington	50	298	50	348
West Virginia	120	6	216	206
Wisconsin	586	437	862	1,300
Total	8,933	7,469	16,908	23,396

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services. Based on administration's fiscal year 1984 budget.

TABLE 16.—PROJECTED INTEREST CHARGES ON FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1983 AND 1984

Interest charges (in millions of dollars)	States	
	Fiscal year 1983	Fiscal year 1984
1–10	Alabama	Arkansas
	Arkansas	Colorado
	Colorado	Delaware
	Connecticut	District of Columbia
	Delaware	Idaho
	District of Columbia	Kansas
	Idaho	Maine
	Indianas	Maryland
	Kansas	Montana
	Kentucky	North Carolina
	Maine	North Dakota
	Missouri	Oklahoma
	Montana	Puerto Rico
	North Dakota	Rhode Island
	Oregon	South Dakota
	Puerto Rico	Utah
	Rhode Island	Vermont
	South Carolina	Virgin Islands
	Tennessee	West Virginia
	Texas	
	Utah	
	Vermont	
	Virginia	
	Virgin Islands	
	Washington	
	West Virginia	

TABLE 16.—PROJECTED INTEREST CHARGES ON FEDERAL LOANS TO INSOLVENT STATE UNEMPLOYMENT COMPENSATION PROGRAMS IN FISCAL YEARS 1983 AND 1984—Continued

Interest charges (in millions of dollars)	States	
	Fiscal year 1983	Fiscal year 1984
11–50	Iowa	Alabama
	Louisiana	Connecticut
	Minnesota	Indiana
	New Jersey	Iowa
	Wisconsin	Kentucky
		Louisiana
		Minnesota
		Missouri
		New Jersey
		Oregon
		South Carolina
		Tennessee
		Texas
		Virginia
		Washington
51–100	Illinois	Wisconsin
	Michigan	
	Ohio	
	Pennsylvania	
100–200		Illinois
		Michigan
		Ohio
		Pennsylvania

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services. Based on administration's fiscal year 1984 budget.

Table 17 shows that employers in Connecticut, Illinois, Michigan, New Jersey, Ohio, and Pennsylvania are projected to pay 82 percent of the additional Federal Unemployment Taxes resulting from the projected credit reductions in fiscal year 1983.

TABLE 17.—PROJECTED FEDERAL UNEMPLOYMENT TAX CREDIT REDUCTIONS IN 1983 AND 1984

State	.edit rate reduction (percentage points) (Calendar years)		Additional Federal unemployment taxes (dollars in millions) (Fiscal years)	
	1983	1984	1983	1984
Arkansas	0.8	0.9	10	27
Colorado	0	.3	0	0
Connecticut	.7	1.1	50	50
Delaware	.9	.9	7	11

TABLE 17.—PROJECTED FEDERAL UNEMPLOYMENT TAX CREDIT REDUCTIONS IN 1983 AND 1984—Continued

State	Credit rate reduction (percentage points) (Calendar years)		Additional Federal unemployment taxes (dollars in millions) (Fiscal years)	
	1983	1984	1983	1984
District of Columbia	.9	1.2	11	17
Illinois	.9	1.2	135	194
Iowa	0	.3	0	0
Kentucky	.3	.6	0	15
Louisiana	0	.3	0	0
Maine	.9	.9	17	17
Michigan	.6	.9	43	79
Minnesota	.9	.9	24	70
New Jersey	.9	1.2	90	132
Ohio	.6	.9	59	114
Pennsylvania	.9	1.2	132	194
Puerto Rico	.6	.6	20	19
Rhode Island	.9	1.2	10	13
Texas	0	.3	0	0
Vermont	.9	1.2	5	8
Virgin Islands	.9	1.2	1	2
West Virginia	.6	.9	9	16
Wisconsin	0	.3	0	0
Total	NA	NA	623	978

NA—Not Applicable.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services. Based on administration's fiscal year 1984 budget.

Qualification for cap on credit reduction

The four qualification requirements for the cap on the credit reduction are:

(1) the State has not reduced its State unemployment taxes;

(2) the State has taken no action that results in a decrease in the solvency of the State's Unemployment Trust Fund Account (e.g., if it increases benefits it must provide for a commensurate increase in State unemployment taxes);

(3) the average unemployment tax rate (taxes divided by total wages) in the State equals or exceeds the average unemployment benefit-cost rate (i.e., benefits divided by total wages) for the past 5 years; and

(4) the State's outstanding loan balance on September 30 of the tax year in question is not greater than its outstanding loan balance on September 30, 1981 for tax year 1983, and the third preceding September 30 for subsequent years.

Under the Administration's fiscal year 1984 budget, 10 States in fiscal year 1983 and 13 States in fiscal year 1984 were not projected to meet the qualification requirements for the cap on the credit reduction. Illinois was projected not to meet the third and fourth requirements in fiscal year 1983 and 1984. Ohio, Michigan, and Pennsylvania were projected in this category in fiscal year 1984. Nine States were projected not to meet only the fourth requirement in fiscal years 1983 and 1984.

ADMINISTRATIVE FINANCING AND ALLOCATION

State unemployment insurance administrative expenses are Federally financed. A portion of revenue from the Federal unemployment tax (FUTA) is designated for administration and to maintain a system of public employment offices.

FUTA revenue flows into three Federal accounts in the Unemployment Trust Fund: (1) the Employment Security Administration Account (ESSA), (2) the Extended Unemployment Compensation Account (EUCA), and (3) the Federal Unemployment Account (FUA). Authorized by title IX of the Social Security Act, ESSA finances administrative costs associated with Federal and State unemployment compensation and employment services.

Under current law, sixty percent of FUTA revenue is allocated to ESAA. Funds authorized for administration are limited to 95 percent of the estimated annual revenue that is expected to flow to ESAA from the Federal unemployment tax. The amount is estimated after transfer of FUTA receipts earmarked for the extended unemployment compensation account. Funds for administration may be augmented by three-eighths of the amount in ESAA at the beginning of the fiscal year, or $150 million, whichever is less, if the rate of insured unemployment is at least 15 percent higher than it was over a corresponding calendar quarter in the immediately preceding year.

Title III of the Social Security Act authorizes payment to each State, with an approved unemployment insurance law, such amounts as are deemed necessary for the proper and efficient administration of such law during the fiscal year. Allocations are based on (1) the population of the State, (2) an estimate of the number of persons covered by the State unemployment insurance law, (3) and estimate of the cost of proper and efficient administration of such law; and (4) such other factors as the Secretary of Labor finds relevant.

Subject to the limit of available resources, the allocation of State grants for administration is the summation of resources derived in three major areas, the Unemployment Insurance Service (UI), the Employment Service (ES), and Administrative Staff and Technical Services (AS&T)/Nonpersonal Services (NPS). Each area has its own allocation methodology subject to general constraints set forth in the Social Security Act.

Each year, as part of the development of the President's Budget, the Department of Labor in conjunction with the Department of Treasury, estimates revenue expected from FUTA and the appropriate amount which will be available for administration (and the Federal share of extended benefits). The estimate of FUTA revenues is based on several factors: (1) a wage base of $7,000 per employee, (2) a tax rate of 0.8 percent (0.48 percentage points for administration and 0.32 percentage points for extended benefits), (3) the administration's projection of the level of unemployment and the growth in wages, and (4) the level of covered employment subject to FUTA. Additionally, a determination is made based on the administration's forecast for unemployment as to whether the rate will increase by at least 15 percent.

Each year the President's Budget sets forth an estimate of national unemployment in terms of the volume of unemployment claims per week. This is characterized as average weekly insured unemployment (AWIU). A portion of AWIU is expressed as "base" and the remainder as "contingency." At the present time, the base is set at the level of resources required to process an average weekly volume of 2.1 million weeks of unemployment.

Resources available to each State to administer its unemployment compensation program (i.e., process claims and pay benefits) are provided from either "base" funds or "contingency" funds. At the beginning of the fiscal year, only the base funds are allocated while contingency funds are allocated on a needs basis as workload materializes. Base funds are distributed to the State for use throughout the fiscal year and are available regardless of the level of unemployment (workload) realized. If a State processes workloads in excess of the base level they receive the contingency funds determined by the extent of the resources required to process the additional workload.

The allocation of the base UI grant funds to each State is determined by:

(1) Estimating, based on the known relative share of each State to the U.S. total, what portion of the estimated workload for a given fiscal year a State may be expected to process;

(2) Determining the resources required to process the anticipated workload. These resources are derived from work measurement studies conducted in each State which establish the number of minutes required to accomplish specific tasks. The results are quantified as minutes per unit (MPU) per program function; and

(3) Obtaining the number of work hours per staff year in each State.

The anticipated UI administrative grant amounts for each State are then forecast and summed. Resources are expressed in terms of staff years. The number of staff years required in each State is the product of the estimated workload and the required processing time (i.e., MPU's) divided by the hours worked. If the number of staff years derived from this calculation exceeds the number available for allocation, the allocation is adjusted by reducing workloads and/or MPU's. The final staff year allocations for each State are then multiplied by the cost per staff year (i.e., State salary level) for a given State to determine dollar funding levels. Each Department of Labor regional office may redistribute the resources available to the States in their area.

The resources available for AS&T/NPS are also determined during the development of the President's budget. The AS&T function provides funding for the administrative staff and technical services which are part of the State's agency-wide overhead and are considered to benefit all UI and ES grant programs. Nonpersonal services include: supplies, travel, communications, premises and equipment.

The AS&T/NPS allocation process is accomplished in four areas. The first area, administration and management, provides each State with a set minimum number of positions, with additional positions above the minimum determined by the number of employment service and unemployment insurance positions allocated. Second, funding for nonpersonal services is provided by setting a minimum amount for each State and allocating additional funds based on UI and ES positions and the population density in each State. Third, for office space, the prior year actual cost per grant staff year is determined, then inflated by the national percentage increase for NPS, and finally multiplied by the projected ES and UI positions. Fourth, funding for automatic data processing (ADP) is provided based on prior year actual cost, then inflated by the national percentage increase for NPS. Adjustments are made each fiscal year to reflect changes in the mode of operation of each State agency. There is also a component in the process which provides funding for ADP staff.

In any given year a hold harmless factor which assures that no State agency receives less than 95 percent of a prior year's level may be used. A last calculation is made to make pro rata adjustments to dollars actually available.

APPENDIX F. STATISTICAL DATA ON UNEMPLOYMENT AND HISTORICAL INFORMATION ON THE UNEMPLOYMENT COMPENSATION PROGRAM

The following tables and charts provide statistical data on unemployment and historical information on the unemployment compensation program.

TABLE 1.—MONTHLY DATA FOR FOUR ECONOMIC INDICATORS SINCE 1970

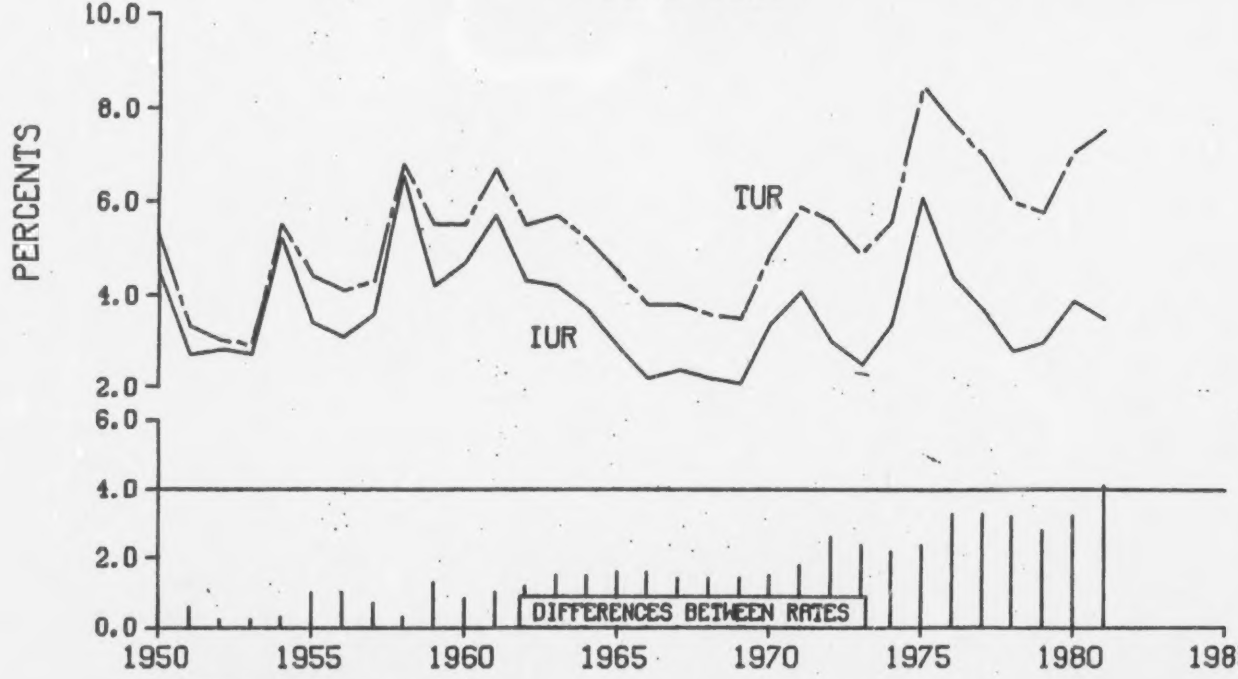
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
Unemployment Rate—Total (Seasonally adjusted)													
1970	3.9	4.2	4.4	4.6	4.7	4.9	5.0	5.1	5.4	5.6	5.9	6.1	4.9
1971	5.9	5.9	5.9	5.9	5.9	5.9	6.0	6.1	6.0	5.9	6.0	6.0	5.9
1972	5.8	5.7	5.8	5.7	5.6	5.6	5.6	5.6	5.6	5.7	5.2	5.1	5.6
1973	4.9	5.0	4.9	5.0	4.9	4.8	4.8	4.8	4.8	4.6	4.8	4.9	4.9
1974	5.1	5.1	5.0	5.0	5.1	5.3	5.5	5.4	5.9	5.9	6.6	7.1	5.6
1975	8.0	8.1	8.5	8.8	9.0	8.8	8.7	8.4	8.4	8.4	8.2	8.2	8.5
1976	7.9	7.7	7.6	7.6	7.3	7.6	7.7	7.8	7.6	7.7	7.8	7.8	7.7
1977	7.5	7.6	7.4	7.2	7.0	7.2	6.9	6.9	6.8	6.8	6.7	6.3	7.0
1978	6.4	6.2	6.2	6.1	6.0	5.8	6.1	5.8	5.9	5.7	5.8	6.0	6.0
1979	5.8	5.9	5.8	5.8	5.6	5.6	5.6	5.9	5.8	5.9	5.9	6.0	5.8
1980	6.2	6.2	6.3	6.9	7.6	7.5	7.6	7.6	7.4	7.6	7.5	7.4	7.1
1981	7.4	7.3	7.3	7.6	7.3	7.0	7.2	7.5	8.0	8.4	8.4	8.8	7.6
1982	8.6	8.8	9.0	9.3	9.4	9.5	9.8	9.9	10.2	10.5	10.7	10.8	9.7

Insured Unemployment Rate Under State Programs (Seasonally Adjusted)

1970	2.5	2.7	2.8	3.2	3.5	3.6	3.6	3.7	4.0	4.4	4.4	4.0	3.4
1971	3.9	3.9	4.1	4.1	4.1	4.2	4.0	4.2	4.1	4.1	4.0	4.0	4.1
1972	3.6	3.7	3.7	3.6	3.6	3.6	3.7	3.3	3.2	3.1	3.1	3.0	3.5
1973	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.9	2.7
1974	3.1	3.2	3.2	3.1	3.2	3.2	3.3	3.4	3.6	3.9	4.4	5.1	3.5
1975	5.4	5.8	6.2	6.5	6.7	6.5	6.3	6.1	6.1	5.8	5.4	4.8	6.0
1976	4.5	4.3	4.2	4.2	4.3	4.5	4.7	4.8	5.0	5.0	4.8	4.4	4.6
1977	4.2	4.2	3.8	3.7	3.7	3.8	3.9	4.1	3.7	4.0	3.9	3.7	3.9
1978	3.6	3.6	3.5	3.1	3.1	3.1	3.4	3.6	3.3	3.1	3.1	3.1	3.3
1979	3.1	3.1	3.0	3.0	2.8	2.9	2.9	3.0	3.0	3.0	3.1	3.2	2.9
1980	3.2	3.1	3.4	3.7	4.3	4.7	4.5	4.4	4.4	4.1	3.8	3.5	3.9
1981	3.4	3.2	3.3	3.4	3.4	3.4	3.2	3.4	3.5	3.7	4.0	4.1	3.5
1982	4.0	4.0	4.3	4.6	4.6	4.7	4.5	4.7	5.0	5.3	5.6	5.0	4.7

FIGURE 1.

Comparison of Total Unemployment Rate (TUR)
and Insured Unemployment Rate (IUR)
1950-1981

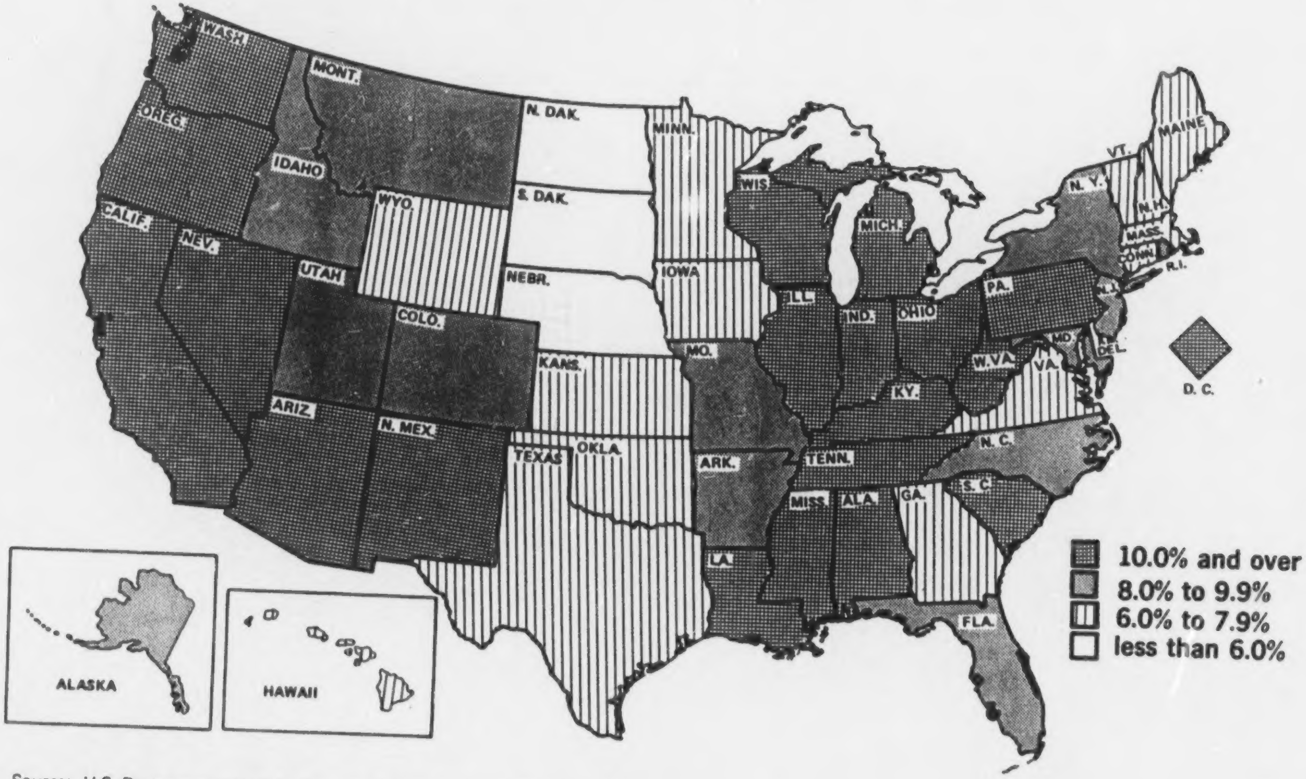


SOURCES: DOL / BLS AND
DOL / ETA / UIS / DAS

FEBRUARY 17, 1982

FIGURE 2.

Unemployment Rates by State, October 1982


WASH.
MONT.
N. DAK.
MINN.
OREG.
IDAHO
S. DAK.
WYO.
WIS.
MICH.
VT.
MAINE
N. Y.
N.H.
MASS.
CONN.
R.I.
CALIF.
NEV.
UTAH
NEBR.
IOWA
ILL.
IND.
OHIO
PA.
N.J.
COLO.
KANS.
MO.
KY.
W.VA.
VA.
MD.
DEL.
D. C.
ARIZ.
N. MEX.
OKLA.
TEXAS
ARK.
TENN.
N. C.
S. C.
MISS.
ALA.
GA.
LA.
FLA.
ALASKA
HAWAII
▦ 10.0% and over
▩ 8.0% to 9.9%
▥ 6.0% to 7.9%
☐ less than 6.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics, December 1982

TABLE 2.—STATE INSURED UNEMPLOYMENT RATES BY CALENDAR QUARTER UNDER THE UNEMPLOYMENT COMPENSATION PROGRAM IN 1980 THROUGH 1982

[Percent]

	1980	1981	1982			
			I	II	III	IV
Alabama	4.4	4.0	5.6	4.8	5.4	5.8
Alaska	7.7	7.0	9.2	7.1	5.4	6.8
Arizona	2.5	2.4	3.5	3.9	4.6	4.4
Arkansas	4.8	4.2	6.5	5.1	5.0	5.8
California	3.9	3.8	5.1	5.0	4.9	5.2
Colorado	2.0	2.1	3.0	2.8	2.9	3.3
Connecticut	2.7	2.6	3.8	3.3	3.3	3.3
Delaware	3.4	3.5	4.9	3.0	3.2	3.1
District of Columbia	2.7	2.6	3.6	3.6	3.7	3.8
Florida	2.0	1.8	2.2	2.3	2.8	2.6
Georgia	2.5	2.5	3.9	3.2	3.1	3.3
Guam						
Hawaii	2.8	3.1	3.7	3.4	3.3	3.5
Idaho	5.0	5.0	9.0	6.9	5.9	6.4
Illinois	4.4	4.3	5.5	5.1	5.1	5.7
Indiana	4.2	3.2	5.5	4.4	4.0	5.0
Iowa	3.2	2.9	5.4	4.3	3.8	4.0
Kansas	2.6	2.4	3.6	3.9	4.3	4.2
Kentucky	5.4	4.5	6.9	5.5	5.2	5.7
Louisiana	2.9	2.7	3.8	4.1	4.7	5.3
Maine	4.4	4.2	5.9	4.6	4.0	4.3
Maryland	3.1	3.2	4.9	4.0	3.9	4.1
Massachusetts	3.3	3.4	4.6	3.6	3.7	3.7
Michigan	8.1	5.9	9.0	7.0	6.0	7.0
Minnesota	3.1	2.8	4.7	3.9	3.8	3.8
Mississippi	4.0	3.9	6.3	5.3	5.7	5.9
Missouri	4.3	3.7	5.2	3.9	4.0	4.1
Montana	4.4	4.1	6.6	5.3	4.2	4.7
Nebraska	1.9	1.9	3.5	2.7	2.3	2.6
Nevada	3.1	3.5	5.0	4.4	4.2	4.8
New Hamphire	2.2	2.2	3.1	2.8	2.7	2.7
New Jersey	4.7	4.3	5.6	4.6	4.3	4.2
New Mexico	2.8	2.7	3.5	3.8	4.0	4.0
New York	3.7	3.4	4.3	3.7	3.6	3.7
North Carolina	2.9	3.0	5.7	4.4	4.2	4.3
North Dakota	2.9	2.7	4.6	3.2	2.5	3.0

TABLE 2.—STATE INSURED UNEMPLOYMENT RATES BY CALENDAR QUARTER UNDER THE UNEMPLOYMENT COMPENSATION PROGRAM IN 1980 THROUGH 1982—Continued

[Percent]

	1980	1981	1982			
			I	II	III	IV
Ohio	4.9	4.1	6.8	5.6	5.2	5.8
Oklahoma	1.7	1.4	2.2	2.3	3.4	4.1
Oregon	5.4	5.7	8.4	7.1	6.0	6.4
Pennsylvania	5.2	4.4	6.6	6.2	6.5	7.1
Puerto Rico	7.5	8.2	8.7	8.4	9.4	9.1
Rhode Island	5.4	5.0	7.2	5.7	5.7	4.9
South Carolina	3.4	3.7	6.0	5.0	5.5	5.3
South Dakota	2.0	2.3	2.7	2.2	2.0	2.1
Tennessee	4.2	3.8	6.0	5.0	4.4	4.5
Texas	1.5	1.1	1.4	1.7	2.2	2.8
Utah	3.1	3.1	5.0	4.5	4.4	4.7
Vermont	4.3	3.9	5.8	5.3	4.4	4.7
Virgin Islands	2.0	1.9	3.2	2.3	2.1	2.2
Virginia	3.2	3.6	4.8	4.6	4.4	4.2
Washington	4.6	4.9	7.3	6.4	6.0	6.4
West Virginia	5.6	5.7	7.0	5.2	6.8	8.3
Wisconsin	5.2	4.7	6.9	5.8	5.1	5.4
Wyoming	1.4	1.8	3.1	3.3	5.6	4.4
U.S. average	3.9	3.5	4.1	4.6	4.7	5.3

TABLE 3.—SELECTED UNEMPLOYMENT RATES

[Monthly data seasonally adjusted]

Period	Unemployment rate (percent of civilian labor force in group)											Labor force time lost (percent) [1]
	Total (all civilian workers)	By sex and age			By race		By selected groups					
		Men 20 years and over	Women 20 years and over	Both sexes 16–19 years	White	Black and other	Experienced wage and salary workers	Married men, spouse present	Women who maintain families	Full-time workers	Part-time workers	
1976	7.7	5.9	7.4	19.0	7.0	13.1	7.3	4.2	10.1	7.3	10.1	8.3
1977	7.1	5.2	7.0	17.8	6.2	13.1	6.6	3.6	9.4	6.6	9.9	7.6
1978	6.1	4.3	6.0	16.4	5.2	11.9	5.6	2.8	8.5	5.6	9.0	6.5
1979	5.8	4.2	5.7	16.1	5.1	11.3	5.5	2.8	8.3	5.3	8.8	6.3
1980	7.1	5.9	6.4	17.8	6.3	13.1	6.9	4.2	9.2	6.9	8.8	7.9
1981	7.6	6.3	6.8	19.6	6.7	14.2	7.3	4.3	10.4	7.3	9.4	8.5
1981:												
November	8.3	7.1	7.2	21.4	7.4	15.2	8.0	5.2	10.8	8.1	10.2	9.5
December	8.8	7.9	7.4	21.5	7.7	15.7	8.5	5.7	10.5	8.7	9.2	10.1
1982:												
January	8.5	7.5	7.2	21.7	7.5	15.1	8.2	5.3	10.4	8.4	9.6	10.0
February	8.8	7.6	7.6	22.3	7.7	15.9	8.4	5.3	10.2	8.5	10.8	9.8
March	9.0	7.9	7.9	21.9	7.9	16.6	8.8	5.5	10.6	8.9	10.0	10.4
April	9.4	8.2	8.3	23.0	8.4	16.9	9.2	6.0	11.5	9.2	10.9	10.4
May	9.5	8.4	8.3	23.1	8.5	17.2	9.3	6.1	11.8	9.2	10.5	11.1
June	9.5	8.7	8.1	22.3	8.4	17.1	9.2	6.5	12.4	9.4	9.8	10.2
July	9.8	8.8	8.4	24.1	8.7	17.3	9.4	6.6	12.0	9.5	11.4	10.7

August	9.8	8.9	8.2	24.0	8.6	17.5	9.3	6.7	11.6	9.6	10.3	10.7
September	10.1	9.6	8.3	23.7	9.0	18.2	9.8	7.3	12.4	10.1	10.5	11.7
October	10.4	9.8	8.6	24.0	9.3	18.5	10.1	7.6	11.2	10.5	10.1	12.1
November	10.8	10.1	9.1	24.2	9.7	18.6	10.5	7.7	12.5	10.7	11.4	12.4

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[1] Aggregate hours lost by the unemployed and persons on part time for economic reasons as percent of potentially available labor force hours.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE 4.—SELECTED MEASURES OF UNEMPLOYMENT

[Monthly data seasonally adjusted, except as noted]

Period	Unemployment (thousands)	Percent distribution of unemployment by duration [1]				Percent distribution of unemployment by reason [1]			
		Less than 5 weeks	5–14 weeks	15–26 weeks	27 weeks and over	Job losers	Job leavers	Reentrants	New entrants
1977	6,991	41.8	30.5	13.1	14.7	45.3	13.0	28.1	13.6
1978	6,202	46.2	31.0	12.4	10.4	41.7	14.1	29.9	14.3
1979	6,137	48.1	31.7	11.5	8.7	42.9	14.3	29.4	13.3
1980	7,637	43.1	32.3	13.8	10.7	51.7	11.7	25.2	11.4
1981	8,273	41.7	30.7	13.6	14.0	51.6	11.2	25.4	11.9
1981:									
November	9,100	42.3	31.7	13.5	12.5	53.6	10.0	25.5	10.9
December	9,571	42.8	32.0	12.6	12.6	56.1	9.7	23.5	10.7
1982:									
January	9,298	41.3	32.9	13.0	12.8	56.7	9.1	22.7	11.5
February	9,575	39.6	31.9	15.1	13.4	54.3	10.2	24.0	11.6
March	9,854	38,8	31.2	16.3	13.7	57.4	9.0	22.9	10.7
April	10,307	38.5	32.1	14.7	14.7	57.4	9.1	23.0	10.5
May	10,549	37.0	31.7	15.6	15.8	56.9	8.4	23.5	11.1
June	10,427	33.2	32.4	17.1	17.3	59.6	7.7	22.4	10.3
July	10,790	37.2	29.5	16.7	16.7	57.4	7.5	23.5	11.6
August	10,805	36.1	30.4	16.7	16.8	58.1	7.4	22.3	12.2
September	11,260	35.1	31.3	16.1	17.5	61.1	6.6	20.8	11.4
October	11,551	33.8	30,3	16.6	19.2	63.4	6.7	18.8	11.1
November	11,987	32.8	29.7	18.3	19.2	62.0	6.5	21.3	10.2

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[1] Detail may not add to 100 percent of rounding.

TABLE 5.—TOTAL BENEFIT EXHAUSTIONS, ALL UNEMPLOYMENT COMPENSATION PROGRAMS

(In thousands)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
January	152	157	330	807	623	337	195	239	478	267
February	127	138	343	640	522	251	170	216	473	281
March	143	156	490	706	550	251	206	238	425	379
April	138	180	628	727	475	238	200	289	406	479
May	141	241	709	645	434	242	226	325	261	472
June	119	230	746	643	431	225	181	312	334	555
July	119	294	823	608	356	201	182	365	295	487
August	124	250	749	606	326	196	178	320	236	467
September	100	231	733	564	292	161	151	393	230	478
October	111	321	725	543	320	164	175	475	215	489
November	110	256	652	534	328	156	171	406	215	814
December	111	291	725	545	529	159	174	508	276	....
Year total	1,495	2,745	7,653	7,568	5,186	2,581	2,209	4,086	3,844	[1]5,168

[1] Data for 11 months only.

Note.—Individual who exhaust regular, extended, and/or Federal supplemental benefits will be counted 2 or 3 times.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services.

TABLE 6.—BENEFIT EXHAUSTIONS, REGULAR PROGRAM

[In thousands]

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
January	152	147	229	333	261	211	184	215	309	258
February	127	129	230	295	251	184	160	201	375	267
March	143	146	270	326	290	201	193	220	291	341
April	138	167	369	305	265	192	185	259	289	361
May	141	178	406	274	242	193	195	251	246	338
June	119	159	438	282	254	176	162	246	244	367
July	119	190	487	264	215	151	169	298	247	359
August	124	174	413	254	234	158	166	256	215	346
September	100	145	370	239	198	138	140	254	207	352
October	111	155	350	212	183	133	161	292	200	347
November	110	152	291	231	192	144	159	259	201	378
December	111	186	336	251	192	149	163	319	265	....
Year total	1,495	1,928	4,189	3,266	2,777	2,030	2,037	3,070	3,089	[1]3,714

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[1] Data for 11 months only.

Source U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services.

TABLE 7.—BENEFIT EXHAUSTIONS, EXTENDED BENEFIT PROGRAM

[In thousands]

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
January	NA	10	52	366	177	126	11	24	169	9
February	NA	9	50	215	166	67	10	15	128	14
March	NA	10	100	244	187	50	13	18	134	38
April	NA	13	162	253	177	46	15	30	117	118
May	NA	62	207	190	159	49	31	74	15	134
June	NA	65	228	197	170	49	19	66	90	188
July	NA	55	245	175	141	50	13	67	48	128
August	NA	41	245	178	92	38	12	64	21	121
September	NA	[illegible]	271	180	94	23	11	139	23	126
October	NA	47	[illegible]	174	137	31	14	183	15	126
November	NA	[illegible]	[illegible]	187	136	12	12	147	14	88
December	NA	[illegible]	[illegible]	178	137	10	11	189	11	....
Year total	[illegible]	[illegible]	[illegible],398	2,537	1,773	551	172	1,016	785	[1] 1,090

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[1] Data for 11 months only.

NA: Not available.

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Service.

TABLE 8.—BENEFIT EXHAUSTIONS UNDER FEDERAL SUPPLEMENTAL BENEFITS (1974–77) AND FEDERAL SUPPLEMENTAL COMPENSATION

[In thousands]

	1973	Federal supplemental benefits				1978	1979	1980	1981	Federal supplemental compensation, 1982
		1974	1975	1976	1977					
January			49	108	185					
February			63	130	105					
March			112	136	73					
April			97	169	33					
May		1	96	181	33					
June		6	80	164	7					
July		49	91	169						
August		35	93	174						
September		48	92	145						
October		119	81	157						16
November		58	103	116						348
December		58	103	116						

Source: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, Division of Actuarial Services.

FIGURE 3.

NET RESERVES AS A PERCENTAGE OF TOTAL WAGES

STATE-UNITED STATES TOTAL

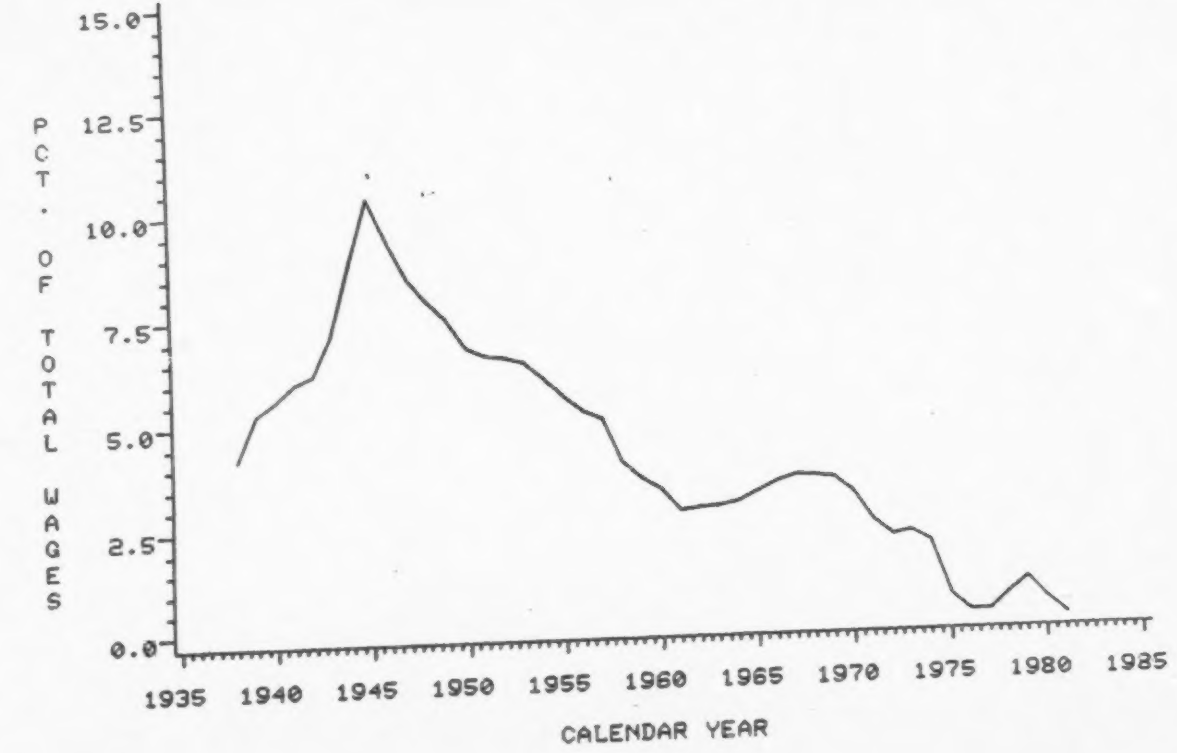

FIGURE 4.

UI BENEFITS PAID AND TAXES COLLECTED BY CALENDAR YEAR
STATE•UNITED STATES TOTAL

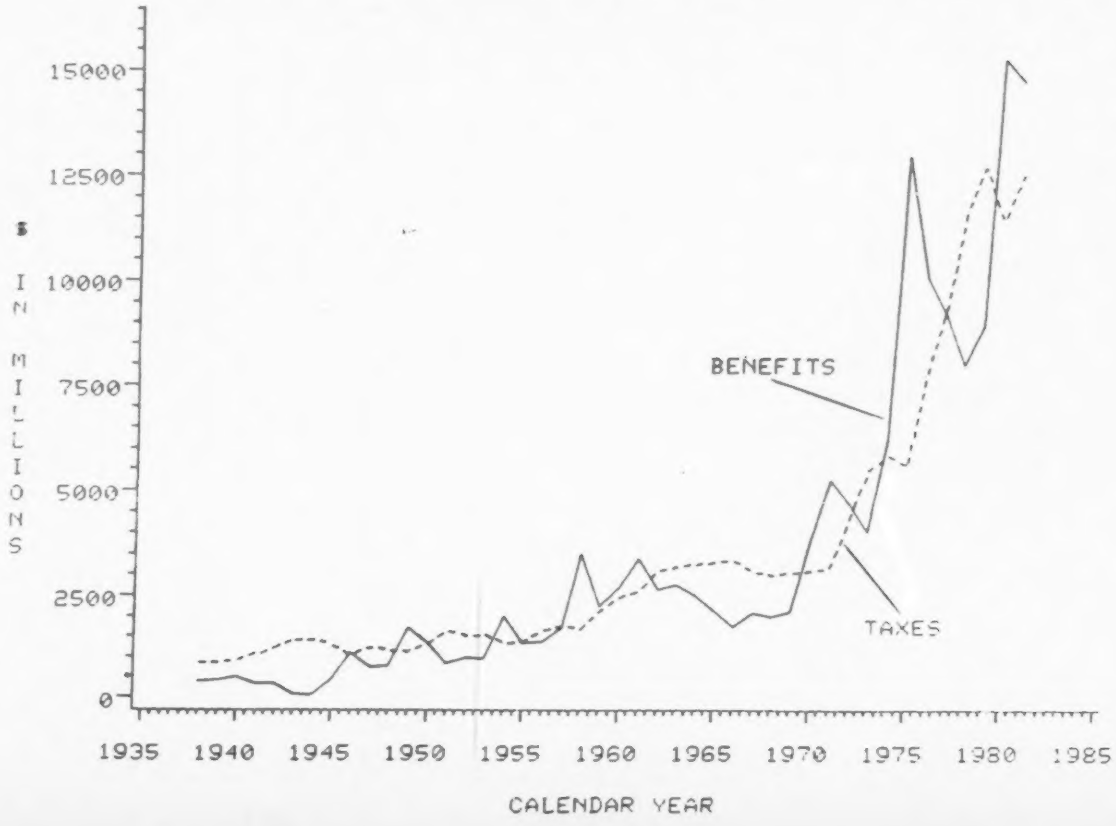

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FIGURE 5.

UI BENEFITS PAID AND TAXES COLLECTED BY CALENDAR YEAR
(PERCENT OF TOTAL COVERED WAGES)
STATE-UNITED STATES TOTAL

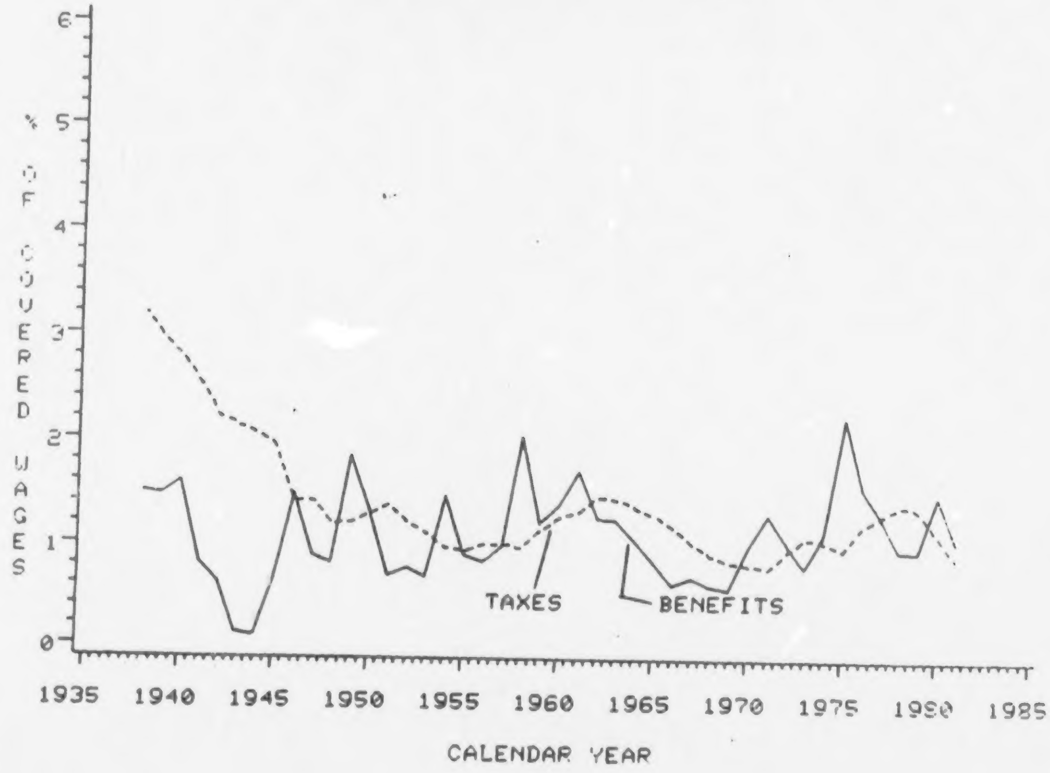

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FIGURE 6.

UI AVERAGE WEEKLY BENEFIT AMOUNT

NOMINAL AND REAL (1981) DOLLARS

STATE-UNITED STATES TOTAL

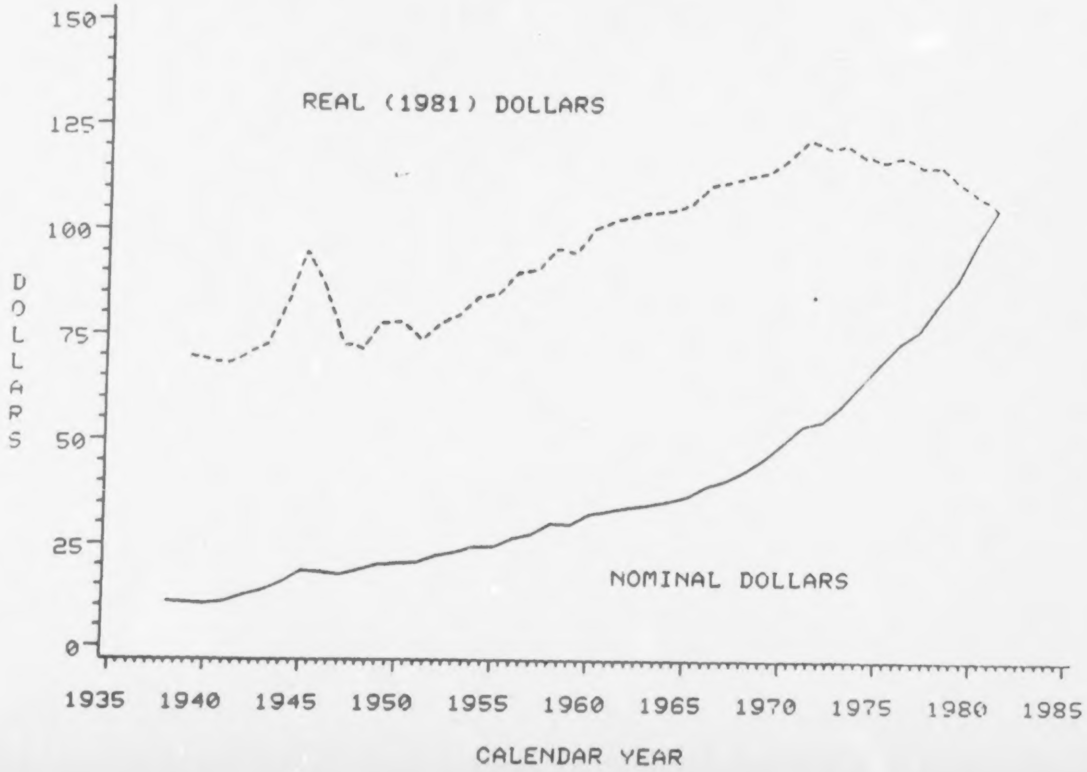

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FIGURE 7.

RATIO OF AVERAGE WEEKLY BENEFIT AMOUNT TO
AVERAGE WEEKLY COVERED WAGE
STATE-UNITED STATES TOTAL

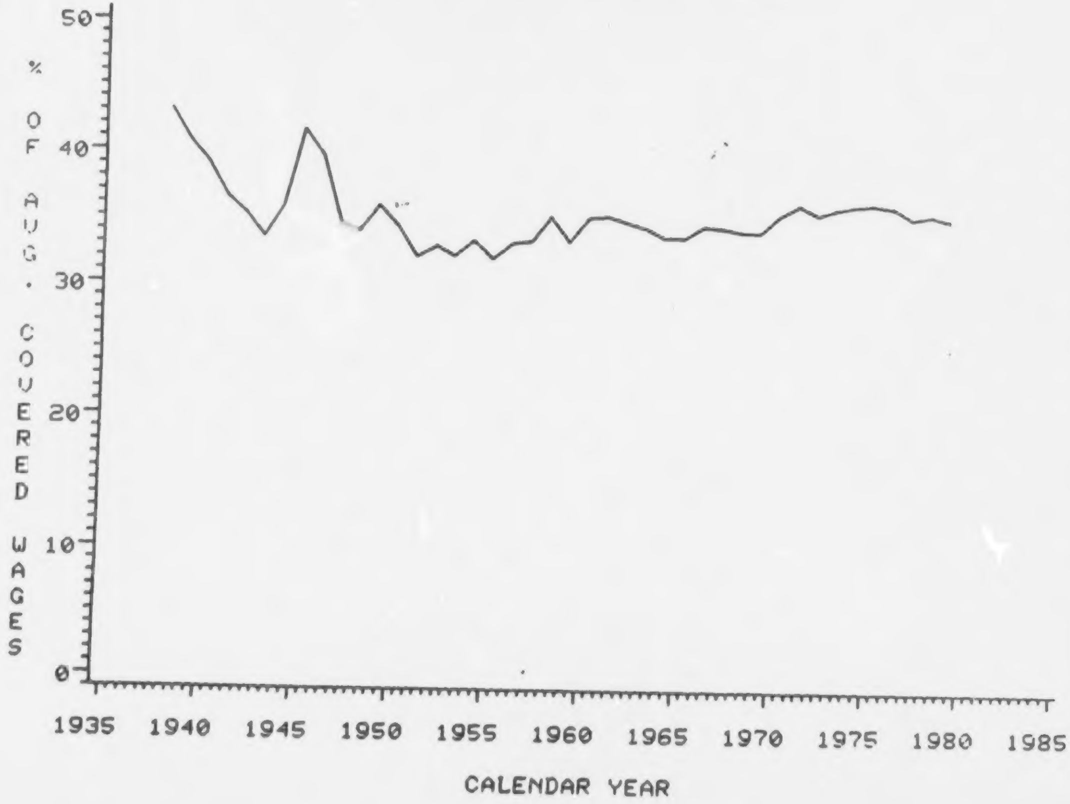

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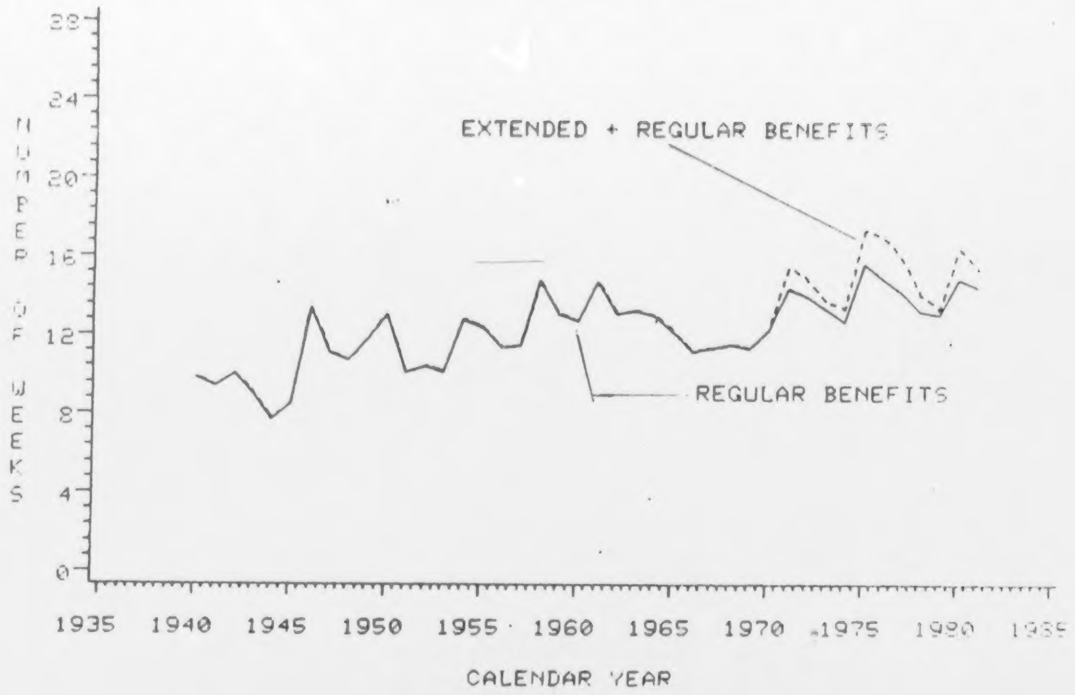
FIGURE 8.

AVERAGE UI DURATION IN WEEKS

STATE-UNITED STATES TOTAL



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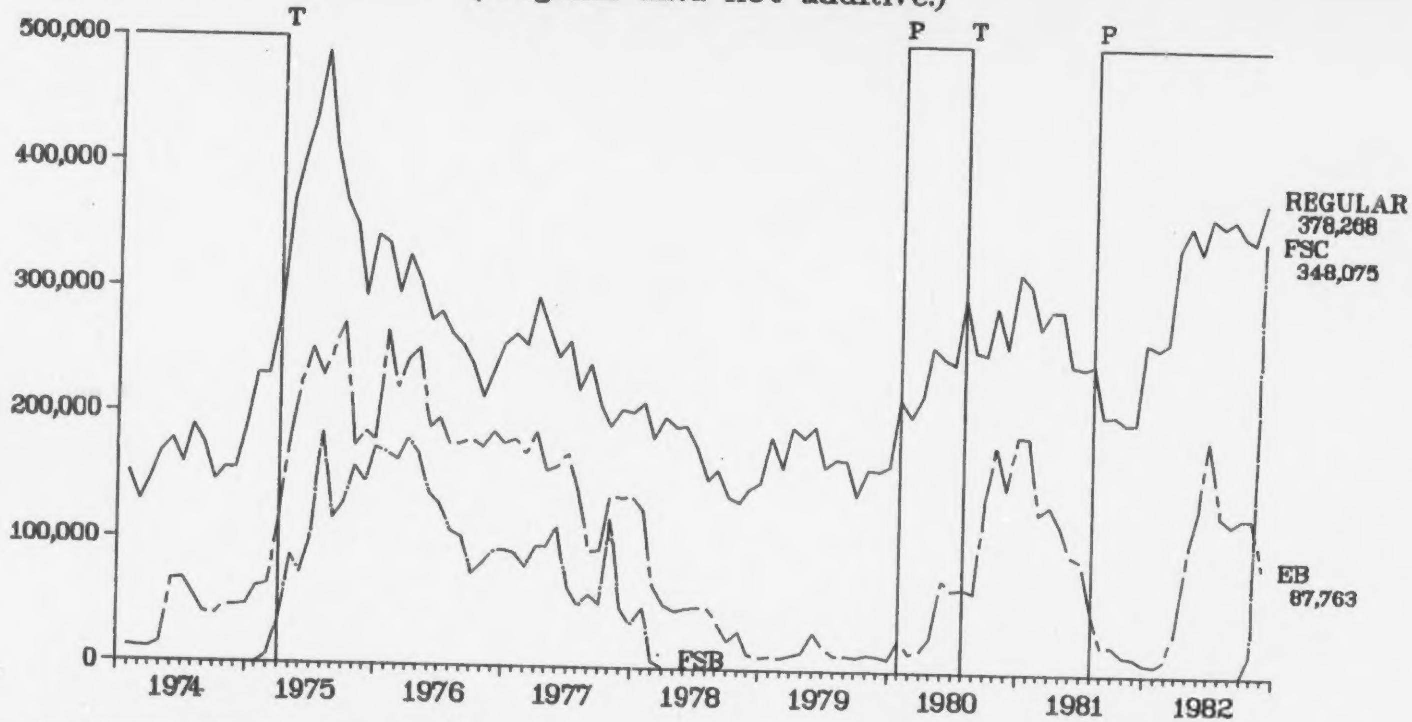
EXHAUSTEES BY PROGRAM

(Program data not additive.)



INDICATED AREAS REFLECT RECESSION PERIODS.

LAST DATAPOINT IS FOR NOVEMBER, 1982.

SOURCE: USDOL / ETA / UIS
Division of Actuarial Services

FIGURE 10.

UI TAXABLE WAGE BASE
NOMINAL AND REAL (1981) DOLLARS
STATE-UNITED STATES TOTAL

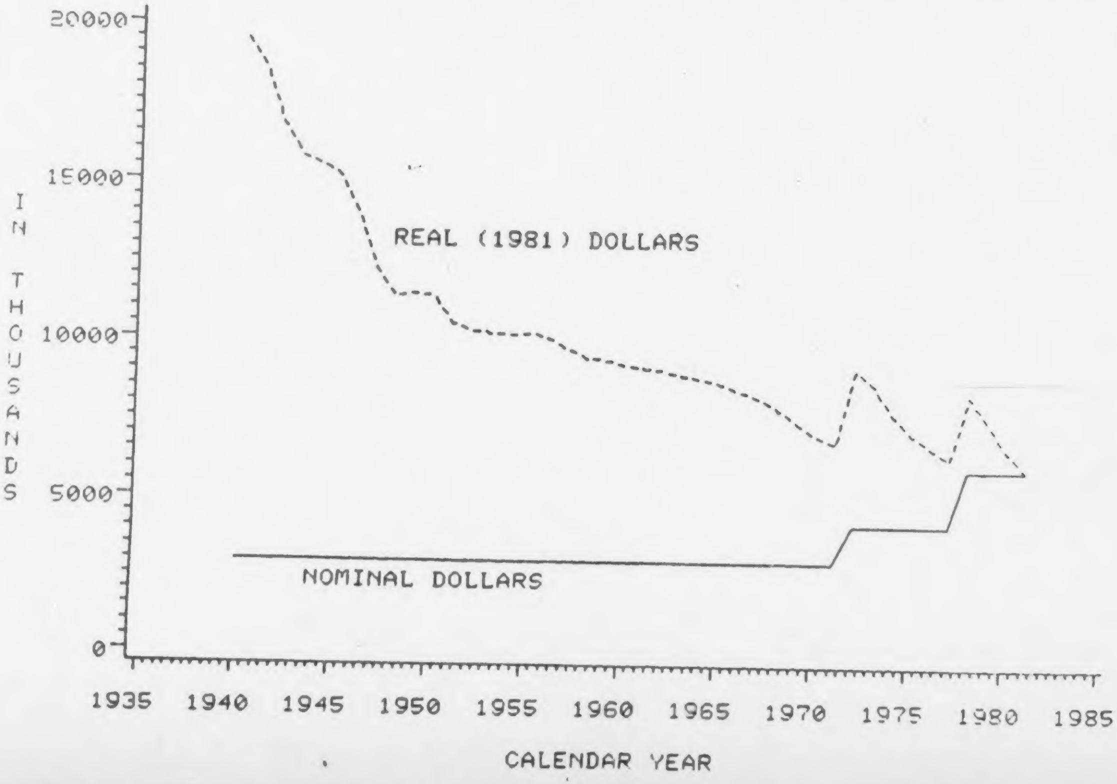


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FIGURE 11.

RATIO OF TAXABLE TO TOTAL WAGES

STATE-UNITED STATES TOTAL

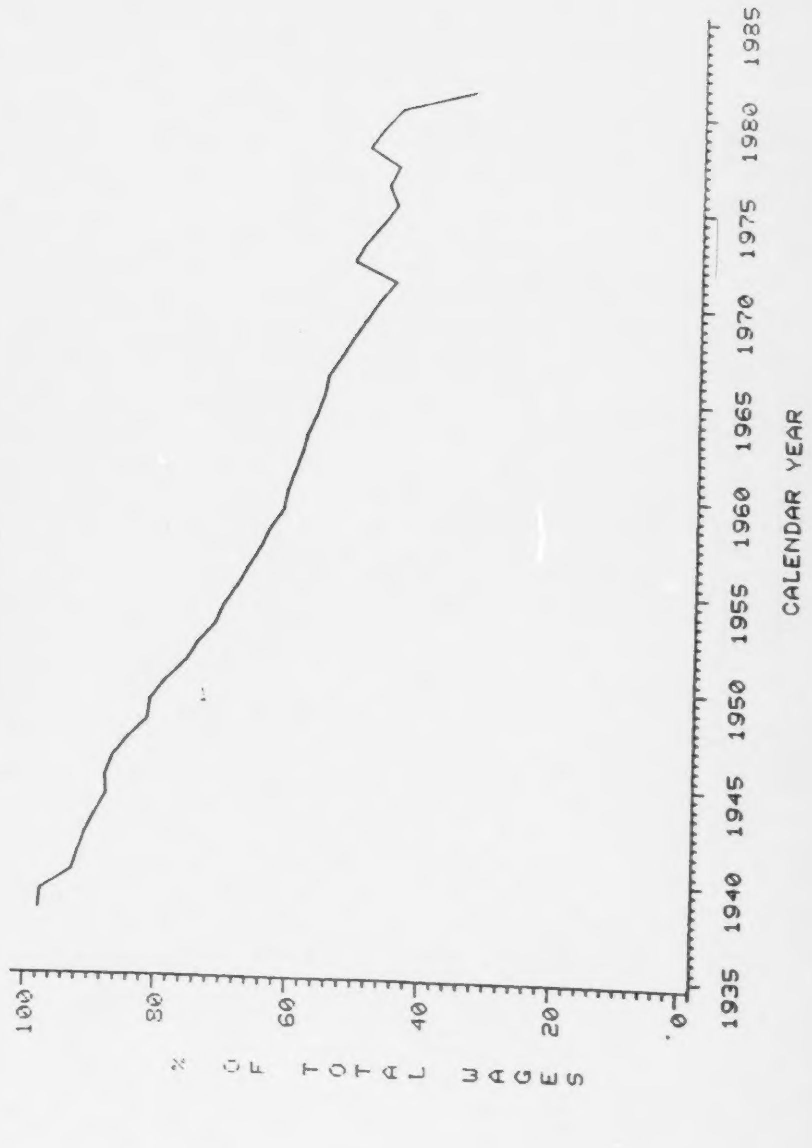

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FIGURE 12.

AVERAGE UI EMPLOYER TAX RATE

(AS A PERCENTAGE OF TAXABLE AND TOTAL COVERED WAGES)

STATE-UNITED STATES TOTAL

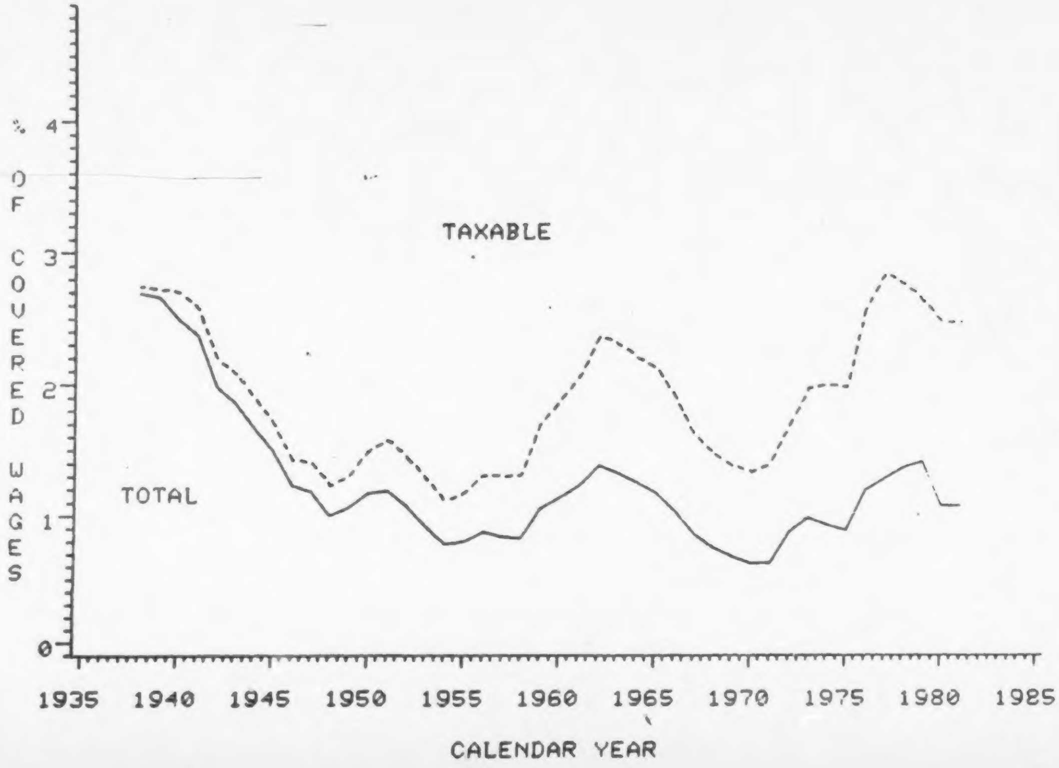

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FIGURE 13.

TOTAL AND TAXABLE WAGES PAID

(UI COVERED EMPLOYMENT)

STATE-UNITED STATES TOTAL

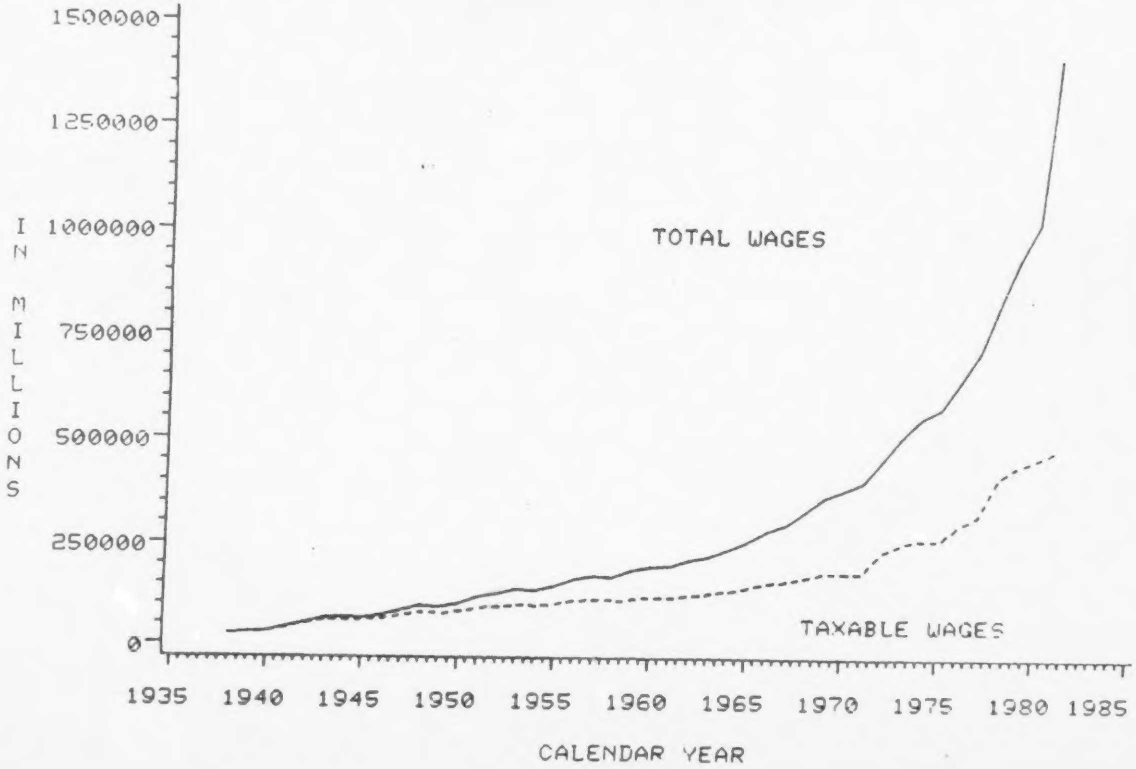

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TABLE 9.—FEDERAL SUPPLEMENTAL COMPENSATION DATA FOR SEPTEMBER THROUGH NOVEMBER, 1982

[Dollars in thousands]

State	Weeks compensated		Number of--	
	Number	Amount (in thousands)	First payments	Final payments
Alabama	173,336	$13,380	30,659	3,835
Alaska	13,986	1,766	3,067	242
Arizona	0	577	0	0
Arkansas	46,668	4,203	9,954	1,918
California	388,619	41,555	88,064	4,431
Colorado	33,727	4,590	7,829	3,354
Connecticut	64,126	7,527	13,787	3,520
Delaware	14,108	1,358	2,195	620
District of Columbia	35,320	4,932	5,930	2,812
Florida	184,882	17,357	42,422	19,221
Georgia	138,380	12,450	31,036	14,981
Hawaii	16,317	2,178	4,212	1,138
Idaho	30,033	3,390	5,492	1,613
Illinois	300,008	42,086	48,211	12,281
Indiana	360,190	33,118	59,624	8,682
Iowa	124,077	16,201	22,272	3,064
Kansas	18,193	2,327	7,797	101
Kentucky	223,489	24,941	33,935	12,424
Louisiana	78,896	10,340	17,838	1,017
Maine	41,960	3,852	7,588	3,097
Maryland	164,577	19,176	24,326	6,809
Massachusetts	173,868	19,023	28,444	6,930
Michigan	682,532	103,630	80,062	38,629
Minnesota	181,746	24,348	28,874	8,431
Mississippi	41,028	3,068	7,085	1,302
Missouri	128,441	11,573	22,550	6,306
Montana	26,729	2,885	5,767	1,331
Nebraska	9,959	917	2,721	484
Nevada	31,689	3,511	7,034	764
New Hampshire	4,737	453	1,937	864
New Jersey	481,179	55,872	75,336	23,628
New Mexico	2,568	239	357	110
New York	809,860	77,331	138,179	70,297
North Carolina	146,195	14,385	33,097	3,615
North Dakota	8,154	971	2,036	748

TABLE 9.—FEDERAL SUPPLEMENTAL COMPENSATION DATA FOR SEPTEMBER THROUGH NOVEMBER, 1982—Continued

[Dollars in thousands]

State	Weeks compensated		Number of—	
	Number	Amount (in thousands)	First payments	Final payments
Ohio	585,514	78,544	76,431	27,883
Oklahoma	65,403	8,715	14,214	6,217
Oregon	53,945	6,185	11,114	19
Pennsylvania	384,205	52,690	60,560	10,829
Puerto Rico	37,079	2,502	7,098	387
Rhode Island	56,685	6,402	9,028	2,723
South Carolina	78,628	6,978	11,839	4,317
South Dakota	5,378	532	1,152	554
Tennessee	289,949	24,758	44,463	10,253
Texas	141,220	16,317	32,811	13,778
Utah	38,614	4,946	7,889	1,583
Vermont	20,806	2,160	3,283	931
Virginia	76,150	7,560	17,939	8,208
Virgin Islands	7		7	0
Washington	209,366	25,276	34,380	7,515
West Virginia	59,156	7,778	8,394	2,191
Wisconsin	69,074	9,008	16,387	179
Wyoming	0		0	0
Total	7,350,756	845,886	1,256,706	336,166

Source: Department of Labor.

Section 8. Aid to Families With Dependent Children (Title IV-A)

ELIGIBILITY

Aid to dependent children (ADC) was established by the Social Security Act of 1935 as a cash grant program to enable States to aid needy children without fathers. Renamed aid to families with dependent children (AFDC), the program provides cash welfare payments for needy children (and their mothers or other caretaker relatives), who have been deprived of parental support or care because:

—their fathers are absent from home continuously (86.9 percent of the children), are incapacitated (5.3 percent), deceased (2.2 percent), or unemployed (4.1 percent); or

—their mothers are incapacitated, absent or dead (1.5 percent). (Percentages are from the 1979 AFDC Study.)

States define "need," set their own benefit levels, establish (within Federal limitations) income and resource limits, and administer the program or supervise its administration. All States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands offer AFDC to needy children without able-bodied fathers at home, and 23 jurisdictions offer Federal cash supplements also to children in two-parent families who are needy because of the unemployment of one of their parents (aid to families with dependent children of unemployed parents (AFDC-UP). Eligibility for AFDC on the basis of a parent's unemployment is limited to those families in which the principal wage earner is unemployed.

Eligibility for federally aided AFDC ends on a child's 18th birthday, or at State option upon a child's 19th birthday if the child is a full-time student in a secondary or technical school and may reasonably be expected to complete the program before he or she reaches age 19.

Prior to the amendments contained in the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, a State could continue benefits through age 20 for students.

Federal law requires certain able-bodied recipients, including mothers whose youngest child is at least 6 years old, to register for training and employment services (which may include job search for no more than 8 weeks per year) under the work incentive program (WIN). Public Law 97-35 allows States to establish community work experience programs under which AFDC recipients would be required to work on public projects in return for their AFDC benefits. Persons exempt under present law from participation in the WIN program would also generally be exempt from participation in these programs except that parents caring for children under age 6 (but not under age 3) could be required to participate if child care is available.

Federal law also requires AFDC mothers to assign their child support rights to the State and to cooperate with welfare officials in establishing the paternity of a child born outside of marriage and in obtaining support payments from the father.

FINANCING

The Federal Government pays at least 50 percent of each State's benefit payments and more than 70 percent in four States. Federal matching for AFDC varies from State to State depending, in part, on per capita income. Under matching formulas in the law, about 55 percent of each AFDC benefit dollar is paid by the Federal Government and 45 percent is paid by the States, some of of which require local governments to share costs. The Federal share varies among States, ranging from 50 percent to 77.36 percent, and it is inversely related to State per capita income. The Federal Government pays 50 percent of administrative costs in all States.

The Federal share of AFDC payments is determined by either the "regular" formula specified in title IV of the Social Security Act or, if the State has a medical assistance (medicaid) program under title XIX of the act, an alternate formula specified in title XIX of the act.

AFDC Formula

Under the regular, two-part formula, the aggregate amount of a State's AFDC expenditures eligible for Federal financial participation is based on the average monthly payment per recipient,[1] up to a ceiling of $32, multiplied by the number of recipients.[2] The first part of the formula is uniform for all States, with Federal funds representing $\frac{5}{6}$ of the first $18 per month of the average payment per recipient made by the State multiplied by the total number of recipients.[3] The second part of the formula provides for a specified percentage (50 to 65 percent, based on relative per capita income) of the next $14 per month of the average payment multiplied by the number of recipients. The maximum amount paid with Federal dollars is $24.10 per recipient $[(\frac{5}{6}\times 18)+(0.65\times 14)]$. Average payments over $32 are financed from State and local funds.

The actual formula used in determining the State and Federal share of payments between $18 and $32 is as follows:

State share = State per capita income squared/national per capita income squared × 50 percent

Federal share = 100 percent − State share (with Federal minimum of 50 percent and maximum of 65 percent)

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[1] To calculate average monthly AFDC benefits per recipient divide total annual AFDC payments by the average monthly number of recipients and then divide by 12.

[2] However, under the AFDC foster care program the ceiling is $100 multiplied by the number of foster care recipients.

[3] For the outlying areas (Guam, Puerto Rico, and the Virgin Islands) the "regular" AFDC formula provides 50 percent of AFDC benefit expenditures, up to a ceiling of $18 monthly in average benefits. These areas use instead a special version of the medicaid matching formula, which provides a 75 percent Federal funding share for AFDC; but the law imposes a ceiling on total Federal funds.

In the first quarter of 1983 only Texas was using this formula, which places a ceiling on average benefits eligible for Federal matching.

Medicaid Formula

States with medicaid programs may choose to use the medicaid cost-sharing formula for their AFDC benefits.

The actual formula used in determining the State and Federal share is as follows:

State share = State per capita income squared/national per capita income squared × 45 percent

Federal share = 100 percent − State share (with a minimum of 50 percent and a maximum of 83 percent)

The Federal share of the benefits is shown in Table 1.

TABLE 1.—FEDERAL SHARE OF THE AFDC PROGRAM,[1] FISCAL YEARS 1978 THROUGH 1985

[In percent]

State	1978–79 [2]	1980–81 [3]	1982–83 [4]	1984–85 [5]
Alabama	72.58	71.32	71.13	72.14
Alaska	50.00	50.00	50.00	50.00
Arizona (37.9 in fiscal year 1980)			59.87	61.21
Arkansas	72.06	72.87	72.16	73.65
California	50.00	50.00	50.00	50.00
Colorado	53.71	53.16	52.28	50.00
Connecticut	50.00	50.00	50.00	50.00
Delaware	50.00	50.00	50.00	50.00
District of Columbia	50.00	50.00	50.00	50.00
Florida	56.55	58.94	57.92	58.41
Georgia	65.82	66.76	66.28	67.43
Guam (Federal funds limited)	[6] 50.00	[7] 75.00	75.00	75.00
Hawaii	50.00	50.00	50.00	50.00
Idaho	63.58	65.70	65.43	67.28
Illinois	50.00	50.00	50.00	50.00
Indiana	57.86	57.28	56.73	59.93
Iowa	51.96	56.57	55.35	55.24
Kansas	52.35	53.52	52.50	50.67
Kentucky	69.71	68.07	67.95	70.72
Louisiana	70.45	68.82	66.85	64.65
Maine	69.74	69.53	70.63	70.63
Maryland	50.00	50.00	50.00	50.00
Massachusetts	51.62	51.75	53.56	50.13
Michigan	50.00	50.00	50.00	50.70
Minnesota	55.26	55.64	54.39	52.67

TABLE 1.—FEDERAL SHARE OF THE AFDC PROGRAM,[1] FISCAL YEARS 1978 THROUGH 1985—Continued

[In percent]

State	1978–79[2]	1980–81[3]	1982–83[4]	1984–85[5]
Mississippi	78.09	77.55	77.36	77.63
Missouri	60.66	60.36	60.38	61.40
Montana	61.10	64.28	65.34	64.41
Nebraska	53.46	57.62	58.12	57.13
Nevada	50.00	50.00	50.00	50.00
New Hampshire	62.85	61.11	59.41	59.45
New Jersey	50.00	50.00	50.00	50.00
New Mexico	71.84	69.03	67.19	69.39
New York	50.00	50.00	50.88	50.00
North Carolina	67.81	67.64	67.81	69.54
North Dakota	50.71	61.44	62.11	61.32
Ohio	55.46	55.10	55.10	55.44
Oklahoma	65.42	63.64	59.91	58.47
Oregon	57.29	55.66	52.81	57.12
Pennsylvania	55.11	55.14	56.78	56.04
Puerto Rico (Federal funds limited)	[6] 50.00	[7] 75.00	75.00	75.00
Rhode Island	57.00	57.81	57.77	58.17
South Carolina	71.93	70.97	70.77	73.51
South Dakota	63.80	68.78	68.19	68.31
Tennessee	68.88	69.43	68.53	70.66
Texas (67.2 in fiscal year 1980)				
Utah	68.98	68.07	68.64	70.84
Vermont	68.02	68.40	68.59	69.37
Virgin Islands (Federal funds limited)	[6] 50.00	[7] 75.00	75.00	75.00
Virginia	57.01	56.54	56.74	56.53
Washington	51.64	50.00	50.00	50.00
West Virginia	70.16	67.35	67.95	70.57
Wisconsin	58.53	57.95	58.02	56.87
Wyoming	53.44	50.00	50.00	50.00

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[1] The Federal share of the AFDC program is calculated by the same formula used to determine the Federal share of medicaid costs except in States that elect an alternate formula or have no medicaid program. Texas chose the alternate formula (through the first quarter of fiscal year 1983, the most recent period of election). Arizona used the alternate formula until the first quarter of fiscal year 1983, when it was deemed qualified to use the medicaid formula for the first time. The Federal medicaid matching rates are 60.81 and 61.47 for Arizona for fiscal years 1978–79 and 1980–81. For Texas they are 60.66, 58.35, 55.75, and 54.37 for fiscal years 1978–79, 1980–81, 1982–83, and 1984–85, respectively.

[2] Effective Oct. 1, 1977, through Sept. 30, 1979.

[3] Effective Oct. 1, 1979, through Sept. 30, 1981.

[4] Effective Oct. 1, 1981, through Sept. 30, 1983.

[5] Effective Oct. 1, 1983, through Sept. 30, 1985.

[6] Public Law 95–600 changed the Federal share for fiscal year 1979 from 50 to 75 percent.

[7] Public Law 96–272 made permanent the 75-percent matching rate for AFDC effective Oct. 1, 1979. For medicaid the matching rate remains 50 percent.

Source: Department of Health and Human Services.
Prepared by: Subcommittee on Public Assistance and Unemployment Compensation.

FEDERAL AND STATE EXPENDITURES

In fiscal year 1981 AFDC benefits totaled $13.1 billion, and benefits in fiscal years 1982 and 1983 are estimated at $12.0 and $12.5 billion respectively. Of total fiscal year 1981 benefits, $7.1 billion or 54 percent was paid by the Federal Government. Table 2 presents State and Federal expenditures for selected years.

At the start of fiscal year 1980, 11 States required their localities to pay some portion of benefit costs. These States are:

California, Colorado, Indiana, Minnesota, Montana, New Jersey, New York, North Carolina, North Dakota, Ohio and Wyoming.

The State-by-State expenditures and average number of recipients for fiscal year 1982 are shown in table 3.

TABLE 2.—STATE AND LOCAL AND FEDERAL EXPENDITURES FOR THE AFDC PROGRAM FOR FISCAL YEARS 1970, 1975, AND 1980–84 [1]

[In millions of dollars]

	1970	1975	1980	1981	1982	1983	1984 [2]
Federal	$2,332	$5,141	$7,167	$7,921	$7,438	$7,665	$7,711
Benefits	2,179	4,625	6,448	7,083	6,575	6,781	6,768
Administrative [3]	[2] 153	516	719	838	863	884	943
State-local	2,039	4,304	6,227	6,866	6,256	6,576	[4] 6,708
Benefits	1,886	3,787	5,508	6,029	5,393	5,692	5,765
Administrative	[2] 153	517	719	837	863	884	943
Total:							
AFDC benefits	4,065	8,412	11,956	13,112	11,968	12,473	12,533
AFDC-U	233	359	737	1,100	[4] 1,258	NA	NA
Emergency assistance	11.8	77	109	129	102	101	106
Administrative [3]	[2] 306	1,033	1,438	1,675	1,726	1,768	1,886

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[1] Foster care costs are excluded from benefit data for 1979 and later years.

[2] Present law estimate of Department of Health and Human Services (fiscal year 1983 budget press release).

[3] Costs of State-local administration and training. Excludes "Federal administrative and related costs" of $25 million in fiscal year 1981, $27 million in fiscal year 1982, and $36 million in fiscal year 1983.

[4] Estimate.

NA = Not available.

TABLE 3.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1982 (PRELIMINARY DATA)

State	Average monthly number of AFDC families (thousands)	Total benefit payments[1] (thousands)	Total administrative costs (thousands)	Administrative cost per AFDC family
Total	3,564.8	$12,956,156	$1,716,512	$481
Alabama	55.4	72,868	15,854	286
Alaska	5.5	33,861	5,038	916
Arizona	22.1	47,064	9,766	442
Arkansas	23.7	34,634	7,665	323
California	514.7	2,817,506	314,404	611
Colorado	26.4	87,311	9,692	367
Connecticut	44.1	219,155	13,724	311
Delaware	10.0	27,987	3,614	361
District of Columbia	25.8	86,488	19,869	770
Florida	95.6	214,919	36,654	383
Georgia	85.7	171,749	32,440	379
Hawaii	18.2	87,950	6,827	375
Idaho	6.5	20,159	4,778	735
Illinois	226.6	799,358	85,225	376
Indiana	53.6	138,783	23,833	445
Iowa	32.9	126,829	12,481	379
Kansas	22.6	81,063	8,687	384
Kentucky	55.5	122,419	20,296	366
Louisiana	63.0	127,637	29,986	462
Maine	17.5	56,398	5,161	295
Maryland	71.4	213,269	22,080	309
Massachusetts	104.1	480,161	45,913	441
Michigan	231.6	1,058,709	120,398	519
Minnesota	46.5	216,955	23,305	501
Mississippi	51.8	55,214	9,596	185
Missouri	64.5	178,769	23,908	371
Montana	5.8	18,651	3,329	574
Nebraska	13.0	49,126	4,218	315
Nevada	4.7	12,048	3,838	816
New Hampshire	7.3	24,227	3,125	428
New Jersey	136.8	537,984	68,066	498
New Mexico	18.2	44,486	8,894	489
New York	353.8	1,630,011	279,407	789

TABLE 3.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1982 (PRELIMINARY DATA)—Continued

State	Average monthly number of AFDC families (thousands)	Total benefit payments[1] (thousands)	Total administrative costs (thousands)	Administrative cost per AFDC family
North Carolina	69.4	140,079	21,904	316
North Dakota	4.0	14,405	2,074	519
Ohio	197.7	615,380	58,546	296
Oklahoma	24.0	74,019	24,193	1,008
Oregon	28.7	97,954	18,104	631
Pennsylvania	203.1	737,542	121,208	597
Rhode Island	17.3	71,826	6,552	379
South Carolina	51.8	75,774	9,051	175
South Dakota	5.8	16,802	2,722	469
Tennessee	55.6	75,432	18,066	325
Texas	93.7	118,167	43,360	463
Utah	11.9	48,399	5,289	444
Vermont	7.5	33,245	3,516	469
Virginia	59.2	161,221	30,748	519
Washington	51.5	238,335	32,121	624
West Virginia	26.2	57,033	6,791	259
Wisconsin	82.7	406,900	16,698	202
Wyoming	2.3	8,490	1,246	542
Guam	1.5	3,983	611	407
Puerto Rico	54.6	64,586	12,213	224
Virgin Islands	1.2	2,840	328	273

[1] Excludes foster care payments.

Source: Office of Research and Statistics, Social Security Administration.

BENEFIT LEVELS

Each State establishes a "need standard" (the income the State decides is essential for basic consumption items) and a "payment standard" (100 percent or less of the need level). Benefits are computed by subtracting countable income from the State's payment standard.

Maximum AFDC payments vary sharply from State to State as shown by Tables 4 and 5. State payments for AFDC families of three in January 1983 ranged from $96 in Mississippi to $614 in Alaska. Table 4 presents maximum monthly potential AFDC and food stamp benefits for a one-parent family of three persons, as of January 1983. During 1981, 18 States and one jurisdiction have increased the maximum grant for three-person families. Five States decreased benefits. Including all States, the average change in the grant was $5.39. During 1982, 23 States and one jurisdiction increased benefits while three States and one jurisdiction lowered benefits. The average change in the payment amount during 1982 is $8.50.

The amount of the increase over the last 2 years is shown in column 2 of table 4. Since January 1981, 29 States and 2 jurisdictions have increased the maximum grant for three-person families. Three States and one jurisdiction decreased the maximum grant.

TABLE 4.—MAXIMUM MONTHLY POTENTIAL BENEFITS, AFDC AND FOOD STAMPS—ONE-PARENT FAMILY[1] OF THREE PERSONS, JANUARY 1983

	Maximum AFDC grant[2]	Increase since January, 1981	Food stamp benefit[3]	Combined benefits	As percent of estimated 1982 poverty threshold[4]
Alabama	$118	0	$199	$317	49
Alaska	614	100	163	777	97
Arizona	233	31	189	422	66
Arkansas	140	−21	199	339	53
California	506	43	107	613	96
Colorado	313	2	165	478	75
Connecticut	513	38	105	618	96
Delaware	266	0	179	445	69
District of Columbia	300	14	169	469	73
Florida	209	14	196	405	63
Georgia	194	30	199	393	61
Hawaii	468	0	198	666	90
Idaho	305	−18	167	472	74
Illinois	302	0	168	470	73
Indiana	255	0	182	437	68
Iowa	360	0	151	511	80
Kansas	364	19	150	514	80
Kentucky	188	0	199	387	60
Louisiana	190	0	199	389	61
Maine	325	45	161	486	76
Maryland	[6] 295	25	178	473	74
Massachusetts	379	0	145	524	82
Michigan	[5] 483	21	141	624	97
(Wayne County)	[5] (455)	23	(150)	(605)	94
Minnesota	446	29	125	571	89
Mississippi	96	0	199	295	46
Missouri	261	13	181	442	69
Montana	332	73	159	491	77
Nebraska	350	15	154	504	79

TABLE 4.—MAXIMUM MONTHLY POTENTIAL BENEFITS, AFDC AND FOOD STAMPS—ONE-PARENT FAMILY [1] OF THREE PERSONS, JANUARY 1983—Continued

	Maximum AFDC grant [2]	Increase since January, 1981	Food stamp benefit [3]	Combined benefits	As percent of estimated 1982 poverty threshold [4]
Nevada	230	−32	190	420	66
New Hampshire	326	0	161	487	76
New Jersey	360	0	151	511	80
New Mexico	233	13	189	422	66
New York	[6] 507	30	116	623	97
(New York City)	[6] (424)	30	(141)	(565)	88
North Carolina	202	10	198	400	62
North Dakota	357	23	152	509	79
Ohio	263	0	180	443	69
Oklahoma	282	0	174	456	71
Oregon	[6] 338	0	199	537	84
Pennsylvania	350	18	154	504	79
Rhode Island	[6] 455	2	156	611	95
South Carolina	138	9	199	337	53
South Dakota	321	0	163	484	76
Tennessee	127	5	199	326	51
Texas	117	1	199	316	49
Utah	382	34	144	526	82
Vermont	506	14	107	613	96
Virginia	310	0	166	476	74
Washington	[6] 451	11	133	584	91
West Virginia	206	0	197	403	63
Wisconsin	503	59	108	611	95
Wyoming	360	45	151	511	80
Guam	255	−7	277	532	83
Puerto Rico [7]	+80	0	161	+241	38
Virgin Islands	209	42	249	458	71
Median State	310	0	166	476	74

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[1] In most States these benefit amounts apply also to two-parent families of three (where the second parent is incapacitated, or, as permitted in almost half the States, unemployed). Some, however, increase benefits for such families.

[2] In States with area differentials, figure shown is for area with highest benefit.

[3] Food stamp benefits are based on maximum AFDC benefits shown and assume deductions of $200 monthly ($85 standard household deduction plus $115 maximum allowable deduction for excess shelter cost and/or dependent care) in the 48 contiguous States and D.C. In the remaining five jurisdictions these maximum allowable food stamp deductions are assumed: Alaska, $345; Hawaii, $285; Guam, $310; Puerto Rico, $90; and Virgin Islands, $160. If only the standard deduction were assumed, food stamp benefits would drop by $35 monthly in most of the 48 contiguous States and D.C. (by less than $35 in States with AFDC benefits below $200); and by $60 in Alaska, $50 in Hawaii, $41 in Guam; and $26 in the Virgin Islands. Maximum food

stamp benefits from October 1982 through September 1983 are $199 for a family of three except in these 4 jurisdictions, where they are as follows: Alaska, $287; Hawaii, $278; Guam, $287; and Virgin Islands, $252.

[4] Except for Alaska and Hawaii, this column is based on an unofficial preliminary estimate of the Census Bureau's 1982 poverty threshold for a family of three persons, $7,690, converted to a monthly rate of $641. For Alaska, this threshold was increased by 25 percent; for Hawaii, by 15 percent, following the practice of the Office of Management and Budget (OMB).

[5] This includes a special heating allowance of $41 monthly for 4 months (December 1982 through March 1983), plus a winter heating increment of $50 for 6 months (November 1982 through April 1983). These allowances are disregarded by the food stamp program.

[6] In these States part of the AFDC cash payment has been designated as energy aid and is disregarded by the State in calculating food stamp benefits. New York disregards $30, the full amount of a benefit boost voted in May 1981. Oregon disregards $155.59. Rhode Island disregards $112.68, Washington disregards $32, and Maryland disregards $25.

[7] Plus rent as paid. The nutrition assistance benefit of $161 replaces the food stamp benefit.

Table 4 assumes that the AFDC family can take the maximum shelter deduction of $115 in the food stamp program. Approximately 75 percent of all households in the food stamp program take a shelter deduction and about 19 percent of all households take the maximum deduction, according to a 1979 survey. For families with no shelter deduction, the monthly food stamp and combined benefit amount is reduced by $34.50.

Table 5 presents maximum AFDC benefits by State for families ranging from 2 to 6 persons as of January 1983.

TABLE 5.—MAXIMUM AFDC BENEFITS, BY FAMILY SIZE,[1] JANUARY, 1983

State	2-person family	3-person family	4-person family	5-person family	6-person family
Alabama	$88	$118	$147	$177	$206
Alaska*	546	614	682	750	818
Arizona*	180	233	282	322	360
Arkansas	116	140	164	186	207
California*	408	506	601	686	771
Colorado [2]	252	319	387	459	531
Connecticut [3]	414	513	599	675	755
Delaware*	197	266	312	386	440
District of Columbia	237	300	366	423	497
Florida [4]	161	209	246	284	321
Georgia	162	194	229	262	284
Hawaii* [5]	390	468	546	626	709
Idaho	245	305	345	385	422
Illinois [6]	250	302	368	434	495
Indiana	195	255	315	375	415
Iowa	292	360	419	464	516
Kansas* [7]	306	364	411	453	495
Kentucky*	162	188	235	275	310
Louisiana [8]	138	190	234	277	316
Maine [9]	241	325	408	491	574
Maryland	230	295	355	411	454
Massachusetts	314	379	444	509	575

TABLE 5.—MAXIMUM AFDC BENEFITS, BY FAMILY SIZE,[1] JANUARY, 1983—Continued

State	2-person family	3-person family	4-person family	5-person family	6-person family
Michigan [10]	413	483	556	634	717
(Wayne County)	(386)	(455)	(528)	(606)	(689)
Minnesota*	368	446	520	584	647
Mississippi	60	96	120	144	168
Missouri	209	261	305	346	384
Montana [11]	279	332	425	501	564
Nebraska*	280	350	420	490	560
Nevada	185	230	276	321	366
New Hampshire* [12]	278	326	372	418	476
New Jersey*	273	360	414	468	522
New Mexico*	189	233	281	324	356
New York* [13]	424	507	602	686	752
(New York City)*	(356)	(424)	(515)	(592)	(672)
North Carolina	176	202	221	242	262
North Dakota*	289	357	437	496	547
Ohio	216	263	327	381	424
Oklahoma*	218	282	349	409	468
Oregon*	286	338	409	480	547
Pennsylvania* [14]	273	350	415	474	514
Rhode Island* [15]	370	455	520	585	660
South Carolina	106	138	169	201	232
South Dakota* [16]	280	321	361	401	441
Tennessee	101	127	154	182	209
Texas [17]	85	117	140	163	183
Utah	289	382	455	578	683
Vermont [18]	422	506	566	639	683
Virginia [19]	258	310	360	428	453
Washington	365	451	531	612	693
West Virginia [20]	164	206	249	254	254
Wisconsin [21]	427	503	600	689	744
Wyoming* [22]	320	360	390	450	510
Guam*	195	255	300	331	361
Puerto Rico [23]	76	100	124	148	172
Virgin Islands*	154	209	263	317	371

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*These States pay 100 percent of the need standard.

[1] Maximum benefit paid for a family of given size with zero countable income. Family members include 1 adult caretaker.

[2] Colorado no longer has separate payment schedules for winter months and non-winter months.

[3] Connecticut has three rent regions. Data shown are from rent region A which has the highest rents.

[4] Florida has two payment schedules—one that includes shelter expenses and one that does not. Data shown include shelter.

[5] The Hawaii figures include shelter maximums of $215, $240, $265, $290, and $320 for an AFDC family with 2 recipients to 6 recipients, respectively.

[6] Illinois divides itself into 3 distinct areas with regard to payment schedules. Data shown are from the Cook County area, which includes Chicago.

[7] Kansas has a basic standard and a shelter standard. The shelter standard varies from area to area (i.e. from $72 monthly to $128 monthly). The shelter payment in Topeka and some of the other larger cities is about $103 monthly. The figures shown include a shelter standard of $128 monthly.

[8] Louisiana has two payment schedules—one for urban areas, from which our data were taken, and one for rural areas.

[9] Maine also has a children only schedule.

[10] Michigan has varied shelter maximums. Shown are benefits for Washtenaw County (Ann Arbor) and Wayne County (Detroit).

[11] Montana has two payment schedules—one with shelter costs included and the other without shelter costs. Data shown include shelter.

[12] New Hampshire payment schedules include a basic maintenance allowance plus an additional amount depending on the type of shelter: (1) no heat or utilities included in the shelter costs, (2) either heat or utilities included, or (3) both heat and utilities included. Data shown include both heat and utilities.

[13] New York has payment schedules for each social service district. The figures include energy payments.

[14] Pennsylvania has four regions. The figures in the table are from region 1, which has the highest benefits.

[15] Rhode Island has a winter and non-winter payment schedule. The figures in the table are from the non-winter schedule which lasts from December through March. The non-winter schedule lasts from April through November.

[16] The South Dakota figures include rent of $120 monthly and utilities equal to $43 monthly.

[17] Texas also has a payment schedule for children only.

[18] Vermont has a base amount plus a housing maximum which depends on whether the recipient is living in a furnished or unfurnished apartment inside or outside of Chittenden County. 69 percent of the [base amount + housing allowance] is equal to the largest amount paid to a recipient with no other income. The figures in the table assume the recipient is in a furnished apartment (the amount paid for a furnished apartment is constant statewide—i.e. $217).

[19] Virginia has three payment schedules. The figures shown are from area 3 which has the highest benefits.

[20] West Virginia has three payment schedules. The figures show the higher benefit levels.

[21] Wisconsin has two payment schedules. The figures show the higher benefit levels.

[22] Wyoming has two payment schedules—one that includes shelter costs and one that excludes shelter costs. The figures shown include shelter.

[23] Puerto Rico pays 50 percent of need plus rent as paid. The figures assume rent at $20 a month. Officials assert that $20 is the amount which has actually been allowed for families.

Source: Congressional Research Service.

BENEFIT LEVEL CHANGES OVER TIME

Table 6 presents the change in the AFDC need standard from July 1970 to January 1983, by State. The average increase from July 1975 to July 1980 (a period of 5 years) was $58. From July 1980 to January 1983 (a period of 2½ years), the average increase was $69. Some of these recent changes in the needs standards are due to the limitation enacted in the Budget Reconciliation Act of 1981 that income may not exceed 150 percent of the needs standard. To avoid terminating AFDC eligibility for some AFDC recipients who worked part time, the States responded by increasing the needs standard.

Table 7 presents information on how the maximum AFDC benefit for a 4-person family with no income has grown from July 1970 to January 1983 by State. In nominal dollars, only one State (Texas) had a reduction in benefits. However, in constant dollars adjusting for inflation, in all but three States (California, Maine, Wisconsin) benefit levels did not keep pace with inflation. The median decline in benefit levels adjusted for inflation from 1970 to 1983 was 31 percent.

TABLE 6.—AFDC NEED STANDARD FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS

	July 1970	July 1975	July 1980	Jan. 1983 [1]	Percent increase 1970–83
Alabama	$230	$225	$240	$480	109
Alaska	400	400	514	682	71
Arizona	256	282	282	282	10
Arkansas	176	290	273	273	55
California	432	389	591	601	39
Colorado [2]	235	264	351	470	100
Connecticut	330	403	553	599	82
Delaware	287	287	312	312	9
District of Columbia	280	349	481	715	155
Florida	223	230	230	468	110
Georgia	208	227	227	432	108
Hawaii	263	497	546	546	109
Idaho	272	395	421	627	131
Illinois	282	317	350	593	110
Indiana	322	363	363	363	13
Iowa	300	376	419	482	61
Kansas	267	353	390	411	54
Kentucky	244	235	235	235	−4
Louisiana	213	203	494	620	191
Maine	349	349	522	564	62
Maryland	302	314	326	450	49
Massachusetts	314	[2] 368	444	467	49
Michigan [3]	NA	NA	[1] 531	608	NA
(Detroit)	(263)	(399)	(501)	[4] (578)	[7] (95)
Minnesota	299	385	486	520	74
Mississippi	232	277	252	327	41
Missouri	325	370	365	365	12
Montana	250	227	331	513	105
Nebraska	330	328	370	420	27
Nevada	317	329	341	341	8
New Hampshire	294	346	392	372	27
New Jersey	347	356	414	414	19
New Mexico	203	239	267	281	38
New York [5]	NA	NA	[1] 563	602	NA
(New York City)	(336)	(400)	(476)	(515)	(53)
North Carolina	184	200	210	442	140
North Dakota	284	347	408	437	54
Ohio	258	431	431	584	126
Oklahoma	218	264	349	349	60
Oregon	281	452	[1] 441	409	46

TABLE 6.—AFDC NEED STANDARD FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS—Continued

	July 1970	July 1975	July 1980	Jan. 1983 [1]	Percent increase 1970–83
Pennsylvania	313	349	395	415	33
Rhode Island	263	319	389	[6] 520	[7] 60
South Carolina	198	217	229	229	16
South Dakota	300	329	361	361	20
Tennessee	217	217	217	217	0
Texas	239	187	187	201	−16
Utah	271	397	572	697	157
Vermont	327	458	753	821	151
Virginia	279	346	400	400	43
Washington	303	370	536	814	169
West Virginia	265	332	332	332	25
Wisconsin	255	456	622	706	177
Wyoming	277	270	340	390	41
Guam	NR	NR	306	300	NA
Puerto Rico	132	132	126	208	58
Virgin Islands	NR	166	263	263	NA

[1] CRS survey data.

[2] Includes quarterly grant pro-rated monthly (CRS survey).

[3] Washtenaw County (Ann Arbor).

[4] Winter rate (Nov.–Apr.). Summer rate was $542 in Washtenaw County and $512 in Wayne County (Detroit).

[5] Suffolk County.

[6] Winter rate (Dec.–Mar.). Summer rate was $420.

[7] Change calculated on basis of summer 1982 rate.

NR=Not reported.

NA=Not available.

Note: Table compiled by the Congressional Research Service (CRS) on the basis of data from the Department of Health and Human Services and, where noted, CRS itself.

TABLE 7.—AFDC MAXIMUM BENEFIT FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS

	July 1970	July 1975	July 1980	January 1983 [1]	Percent increase 1970–83	Percent increase in constant dollars
Alabama	$81	$135	$148	$147	81	−23
Alaska	375	400	514	682	82	−23
Arizona	167	183	244	282	69	−29
Arkansas	100	140	188	164	64	−31
California	221	349	563	601	172	15
Colorado	235	264	351	387	65	−31

TABLE 7.—AFDC MAXIMUM BENEFIT FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS—Continued

	July 1970	July 1975	July 1980	January 1983	Percent increase 1970–83	Percent increase in constant dollars
Connecticut	330	403	553	599	82	−23
Delaware	187	258	312	312	67	−30
District of Columbia	238	297	349	366	53	−35
Florida	134	170	230	246	84	−22
Georgia	133	153	193	229	72	−27
Hawaii	263	497	546	546	108	−12
Idaho	242	344	367	345	43	−40
Illinois	282	317	350	368	30	−45
Indiana	150	250	315	315	110	−11
Iowa	243	356	419	419	72	−27
Kansas	244	353	390	411	68	−29
Kentucky	187	235	235	235	26	−47
Louisiana	109	158	[1] 213	234	115	−9
Maine	168	219	352	408	143	2
Maryland	196	242	326	355	81	−24
Massachusetts	314	[2] 368	[1] 419	444	41	−40
Michigan [3]	NA	453	[1] 531	556	NA	NA
(Detroit)	(263)	(399)	(501)	[4] (528)	[7] (78)	(−15)
Minnesota	299	385	486	520	74	−27
Mississippi	70	60	120	120	71	−28
Missouri	130	150	290	305	135	−1
Montana	228	227	331	425	86	−21
Nebraska	200	245	370	420	110	−11
Nevada	143	230	314	276	86	−19
New Hampshire	294	346	392	372	27	−47
New Jersey	347	356	414	414	19	−50
New Mexico	182	206	267	281	54	−35
New York [5]	NA	[1] 476	[1] 563	602	NA	NA
(New York City)	(336)	(400)	(476)	(515)	(53)	(−32)
North Carolina	158	200	210	221	40	−41
North Dakota	261	347	408	437	67	−29
Ohio	200	254	327	327	64	−31
Oklahoma	185	264	349	349	89	−20
Oregon	225	413	[1] 441	409	82	−23
Pennsylvania	313	349	395	415	33	−44
Rhode Island	263	319	389	[6] 520	[7] 60	−17
South Carolina	103	117	158	169	64	−31
South Dakota	300	329	361	361	20	−49

TABLE 7.—AFDC MAXIMUM BENEFIT FOR A 4-PERSON FAMILY, BY STATE, SELECTED YEARS—Continued

	July 1970	July 1975	July 1980	January 1983 [1]	Percent increase 1970–83	Percent increase in constant dollars
Tennessee	129	132	148	154	19	−50
Texas	179	140	140	140	−21	−67
Utah	212	306	429	455	115	−9
Vermont	304	367	552	566	86	−21
Virginia	261	311	[1] 305	360	38	−42
Washington	303	370	536	531	75	−26
West Virginia	138	249	249	249	80	−24
Wisconsin	217	403	529	600	176	17
Wyoming	227	250	340	390	72	−28
Guam	NR	NR	306	300	NA	NA
Puerto Rico	53	53	[1] 66	124	133	−1
Virgin Islands	NR	166	210	263	NA	NA
Median State	225	294	350	368	64	−31

[1] CRS survey data.

[2] Includes quarterly grant pro-rated monthly, (CRS survey).

[3] Washtenaw County (Ann Arbor).

[4] Winter rates (Nov.–April). Summer rate was $495 in Washtenaw county and $468 in Wayne County (Detroit).

[5] Suffolk County.

[6] Winter rate (Dec.–March). Summer rate was $420.

[7] Change calculated on basis of summer 1982 rate.

NR = Not reported.

NA = Not available.

Note: Table compiled by the Congressional Research Service (CRS) on the basis of data from the Department of Health and Human Services and, where noted, CRS itself. The last column of the table was computed using the CPI–XI Consumer Price Index. A projection of 270 was assumed for January 1983.

TREATMENT OF EARNINGS

States are required by Federal law to disregard certain earned income when determining the amount of benefits to which a recipient family is entitled. Prior to the Omnibus Budget Reconciliation Act of 1981, in order to provide a financial incentive for recipients to seek and maintain employment, Federal law required the deduction of an initial $30 in monthly earnings plus one-third of remaining earnings, plus work expenses (any expenses, including child care costs, reasonably attributable to the earning of income). When making an initial determination of eligibility, however, only work expenses were disregarded.

Amendments in the Budget Reconciliation Act of 1981 limit the disregard for work expenses to $75 per month for full-time employment and cap the child care disregard at $160 per month per child. The $30 plus one-third disregard is allowed for only 4 consecutive months in a 12-month period. Further, States are prohibited from paying AFDC to any family with a *gross* income at or above 150 percent of the State's standard of need. These changes substantially reduce the amount of earnings a recipient may have and still receive some amount of AFDC.

The following example illustrates the impact of these changes on a mother working full time at the minimum wage. The need and payment standard are assumed to be $420 per month.

	Prior law	Current law	
		First 4 months	After 4 months
Gross earnings	581	581	581
Plus earned income credit	+32	+32	+32
Minus disregards:			
Initial disregards	−30	−105	−75
One-third of rest	−194	(1)	(1)
Child care	−100	−100	−100
One-third of rest	(1)	−136	0
Other expenses (e.g., payroll tax and transportation	−70	0	0
Total disregards	394	341	175
Total Income to count against AFDC benefits	219	272	438
AFDC benefits	201	148	0

[1] Not applicable.

AFDC eligibility and benefits are determined monthly. Public Law 97-35 requires States to determine eligibility on the basis of the family's circumstances in the current month; payment amounts must be determined "retrospectively"—on the basis of the family's countable income and resources in the preceding month (or at the discretion of the Secretary of Health and Human Services, the second preceding month). In addition, all AFDC recipients are required to provide monthly reports on income, family composition, and resources as a condition of continued eligibility.

Public Law 97-35 requires part of the income of a stepparent to be counted in determining eligibility and benefit amounts. It limits allowable resources to $1,000 (equity value) per family, excluding the home and one automobile if the family member's ownership interest does not exceed a limit chosen by the Secretary of Health and Human Services. HHS regulations set $1,500 as the equity value limit for the automobile and permit States to exclude from countable resources "basic items essential to day to day living," such as clothing and furniture.

AFDC also provides cash aid for foster care of AFDC-eligible children removed from their homes by judicial order and, under certain conditions, for those *voluntarily placed* in foster care. In August 1980, foster care payments were made on behalf of 100,146 children, 1.3 percent of all children enrolled. Payments averaged $375 per child ($253 per child in foster care family homes, $1,103 per child in child care institutions).

NUMBER OF BENEFICIARIES AND AVERAGE BENEFIT LEVELS

Table 8 presents the number of individuals receiving AFDC benefits for selected months since 1970. As of October 1982, AFDC family enrollment was 3.5 million. This included 10.4 million recipients of which approximately 70 percent were children. Of these AFDC families, 247,000 were two-parent families eligible because of an unemployed parent.

Table 8 also presents data on the average benefit per family and per recipient for selected months.

TABLE 8.—HISTORICAL TRENDS IN TOTAL BENEFIT PAYMENTS; NUMBER OF FAMILIES AND INDIVIDUALS RECEIVING AFDC; AVERAGE PAYMENT PER RECIPIENT AND PER FAMILY; FOR SELECTED YEARS FROM 1970 TO 1982[1]

	December				October 1982
	1970	1975	1980	1981	
AFDC recipients (thousands):					
Total families	2,553	3,553	3,843	3,629	3,546
Total recipients	9,660	11,383	11,101	10,607	10,370
Total children	7,034	8,086	7,599	7,125	NA
Unemployed parent families	157	132	193	220	247
Foster care children	NA	117	102	NA	NA
AFDC payments:					
Total benefits [2] (thousands)	[3] 483,438	821,746	1,116,020	1,094,107	1,083,919
Average monthly benefit per family	[3] 188.78	229.75	290.48	301.51	305.66
Average monthly benefit per person	49.89	71.72	100.53	103.15	104.53
Median State benefit in July for a family unit of 4 with no income	225	294	NA	360	368
Median State benefit in July in constant dollars [4]	523	500	NA	383	368
Maximum State benefit in July for a family unit of 4 with no income	375	497	NA	563	634
Maximum State benefit in July in constant dollars [5]	872	846	NA	599	634

[1] Foster care families, children and payments included prior to 1981.

[2] Includes emergency assistance prior to 1981.

[3] Includes December share of Massachusetts quarterly special needs payment prior to 1981.

[4] The constant dollar numbers were calculated using the CPI-XI monthly Consumer Price Index series.

NA=Not available.

Source: Office of Research and Statistics, Social Security Administration and the Congressional Research Service.

The median State benefit for a family of four increased from $225 to $368 per month. In constant dollars, the median benefit for a family of four decreased from $523 to $368.

Table 9 presents the number of recipients and the average payment per family and per recipient by State for December 1981.

TABLE 9.—AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, DECEMBER 1981 (INCLUDES NONMEDICAL VENDOR PAYMENTS, UNEMPLOYED PARENTS SEGMENT, AND AFDC FOSTER CARE)

State	Number of families (thousands)	Number of recipients (thousands)	Payments to recipients, average per—	
			Family	Recipient
Total	3,628.8	10,606.8	$302	$103
Alabama	58.2	161.7	108	39
Alaska	5.6	12.8	499	218
Arizona	22.0	61.5	176	63
Arkansas	25.5	72.0	112	40
California	525.3	1,561.7	454	153
Colorado	26.0	74.5	271	95
Connecticut	45.2	129.9	406	141
Delaware	10.3	29.0	233	83
District of Columbia	27.8	76.9	251	91
Florida	94.0	254.4	179	66
Georgia	84.6	227.2	162	60
Guam	1.5	5.6	218	60
Hawaii	19.0	58.2	399	130
Idaho	6.5	16.9	262	100
Illinois	225.9	708.8	295	94
Indiana	52.4	153.0	216	74
Iowa	32.3	88.1	321	118
Kansas	21.5	60.1	301	108
Kentucky	55.9	149.7	184	69
Louisiana	63.8	193.7	168	55
Maine	19.6	53.8	246	89
Maryland	71.6	198.3	242	88
Massachusetts	109.3	299.4	379	138
Michigan	231.2	723.6	392	125
Minnesota	50.1	143.0	377	132

TABLE 9.—AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, DECEMBER 1981 (INCLUDES NONMEDICAL VENDOR PAYMENTS, UNEMPLOYED PARENTS SEGMENT, AND AFDC FOSTER CARE)—Continued

State	Number of families (thousands)	Number of recipients (thousands)	Payments to recipients, average per—	
			Family	Recipient
Mississippi	54.3	157.1	89	31
Missouri	64.9	184.9	235	83
Montana	6.0	17.5	252	86
Nebraska	12.8	36.3	315	111
Nevada	4.9	13.2	207	77
New Hampshire	7.2	20.1	277	100
New Jersey	140.3	427.0	328	108
New Mexico	19.1	53.5	199	71
New York	359.6	1,096.5	384	126
North Carolina	69.1	172.4	166	66
North Dakota	3.7	10.2	304	111
Ohio	203.3	598.1	258	88
Oklahoma	25.8	75.6	258	88
Oregon	28.9	78.0	288	107
Pennsylvania	212.3	628.0	295	100
Puerto Rico	53.9	187.1	97	28
Rhode Island	18.7	53.7	399	139
South Carolina	53.4	142.6	120	45
South Dakota	6.0	16.5	235	85
Tennessee	55.7	146.6	112	43
Texas	95.8	292.0	105	34
Utah	12.2	36.7	338	112
Vermont	7.9	23.3	368	125
Virgin Islands	1.2	3.6	196	68
Virginia	58.0	156.1	227	84
Washington	51.3	136.6	372	140
West Virginia	25.8	70.8	177	65
Wisconsin	89.3	253.3	398	140
Wyoming	2.2	5.7	307	120

Source: Department of Health and Human Services.

Table 10 shows the 23 jurisdictions that had AFDC-UP programs and their December 1981 enrollment of unemployed parent families. Michigan and California accounted for 52 percent of this program's recipients. During 1981, four States dropped the AFDC-UP program: Iowa, Missouri, Utah, and Washington.

TABLE 10.—AID TO FAMILIES WITH DEPENDENT CHILDREN, UNEMPLOYED PARENT SEGMENT (AFDC-UP), RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS BY STATE, DECEMBER 1981 (INCLUDES NONMEDICAL VENDOR PAYMENTS)

State	Number of families	Total number of recipients	Payments to recipients, average per—	
			Family	Recipient
Total	220,034	933,558	$449	$115
California	74,064	324,313	544	124
Colorado	1,389	5,875	389	92
Connecticut	1,030	4,550	537	121
Delaware	447	1,811	280	69
District of Columbia [1]	213	1,072	365	73
Guam	194	935	282	59
Hawaii	1,190	5,437	475	104
Illinois	13,531	57,776	379	89
Kansas	1,263	4,911	369	95
Maryland	1,764	7,498	308	73
Massachusetts	4,000	16,847	459	109
Michigan	37,733	157,161	470	113
Minnesota	4,935	20,851	457	108
Montana	442	1,903	339	79
Nebraska	440	1,987	405	90
New Jersey	5,802	23,595	371	91
New York	12,780	55,742	427	98
Ohio	28,739	119,972	327	78
Pennsylvania	13,822	57,812	343	82
Rhode Island	393	1,709	440	101
Vermont	604	2,525	448	107
West Virginia	4,748	15,288	193	60
Wisconsin	10,505	43,988	483	115

[1] Preliminary estimate.

Source: Office of Research and Statistics, Social Security Administration.

INTERACTION OF AFDC WITH MEDICAID, FOOD STAMPS, AND THE TAX SYSTEM UNDER PRIOR AND CURRENT LAW

All AFDC families are automatically eligible for medicaid, and most have incomes within limits of the food stamp program. The following tables and charts describe the interaction between these programs and the tax system as earned income in AFDC families increases.

All of the charts show only AFDC benefits and income under prior law and current law after the family has received AFDC benefits 4 months or more. Table 11, in addition, shows the amount of income during the first 4 months of eligibility. Medicaid benefits continue under prior law for four additional months after a family loses AFDC eligibility. Under current law, medicaid benefits continue for four months if the family loses eligibility for AFDC because of increased earnings. The amounts shown in table 11 illustrate the AFDC and food stamp benefits a three-person family (mother and two children) can receive in Philadelphia and Pittsburgh, Pa. The amounts describe a typical interaction between these programs and are not necessarily the maximum benefits the family might receive. This family is assumed to have no child care expenses.

To calculate AFDC benefits under prior law, work expenses ($40 transportation expenses, prorated for less than full-time employment and payroll, State and Federal income taxes) have been assumed. The earned income tax credit is added where applicable (see section 9). To calculate AFDC benefits under current law, the $75 standard work expense deduction is prorated for less than full-time employment. Shelter expense of $200 per month is assumed which yields an $83 per month shelter expense deduction for food stamp benefit purposes.

With no earnings, a three-person family in Pennsylvania is eligible for an AFDC benefit of $318 and $138 in food stamps per month, for disposable income of $456 per month. Total family income is calculated by adding the insurance value of medicaid health benefits. The average medicaid payment for medical services provided this type of family in Pennsylvania is $103 per month.

The earnings disregard and gross income eligibility provisions enacted in the Omnibus Budget Reconciliation Act of 1981 do not affect a family with no earnings: consequently, the amounts under prior and current law in table 11 are identical. For a family with earnings, AFDC benefits and disposable income are reduced because less earned income is deducted in computing the AFDC payment.

In Pennsylvania under prior law, AFDC (and medicaid) eligibility ends when a family's earnings reach $667 per month. Under current law, during the first four months when the earnings disregards are applied, eligibility ends when earnings reach $435. After four months, AFDC (and medicaid) eligibility ends when earnings exceed $327 per month.

INTERACTION WITH FOOD STAMPS

The interaction with the food stamp program has important financial implications for a State which desires to increase the income of its AFDC recipients by $1. Because food stamps are reduced by $0.30 for each additional $1 of AFDC income, the State must expend $1.43 to obtain an effective $1 increase in AFDC recipients' total income. For a State with a 50 percent matching rate, the State must expend $0.72 to obtain a $1 increase in recipient income. This would be the typical situation for an AFDC recipient with no earnings.

TABLE 11.—PENNSYLVANIA COMPARISON OF AFDC AND FOOD STAMP BENEFITS AND DISPOSABLE AND TOTAL INCOME UNDER PRIOR AND CURRENT LAW, BY AMOUNT OF EARNED INCOME, SINGLE PARENT, TWO CHILDREN, DECEMBER 1981

[In dollars]

Earnings	AFDC benefits			Food stamps			Disposable income [1]			Total income [2]		
	Prior law	Current law		Prior law	Current law		Prior law	Current law		Prior law	Current law	
		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months
0	318	318	318	138	138	138	456	456	456	559	559	559
$100	280	275	224	115	117	140	490	486	458	593	589	561
$200	223	212	130	102	104	142	513	505	460	616	609	563
$300	165	150	35	88	92	144	536	524	462	639	628	565
$400	108	87	0	74	80	119	559	543	496	662	647	496
$500	59	0	0	61	81	81	575	537	537	678	537	537
$600	24	0	0	50	54	54	588	571	571	691	571	571
$700	0	0	0	37	0	0	613	590	590	613	590	590
$800	0	0	0	0	0	0	639	662	662	639	662	662
$900	0	0	0	0	0	0	708	724	724	708	724	724
$1,000	0	0	0	0	0	0	781	792	792	781	792	792

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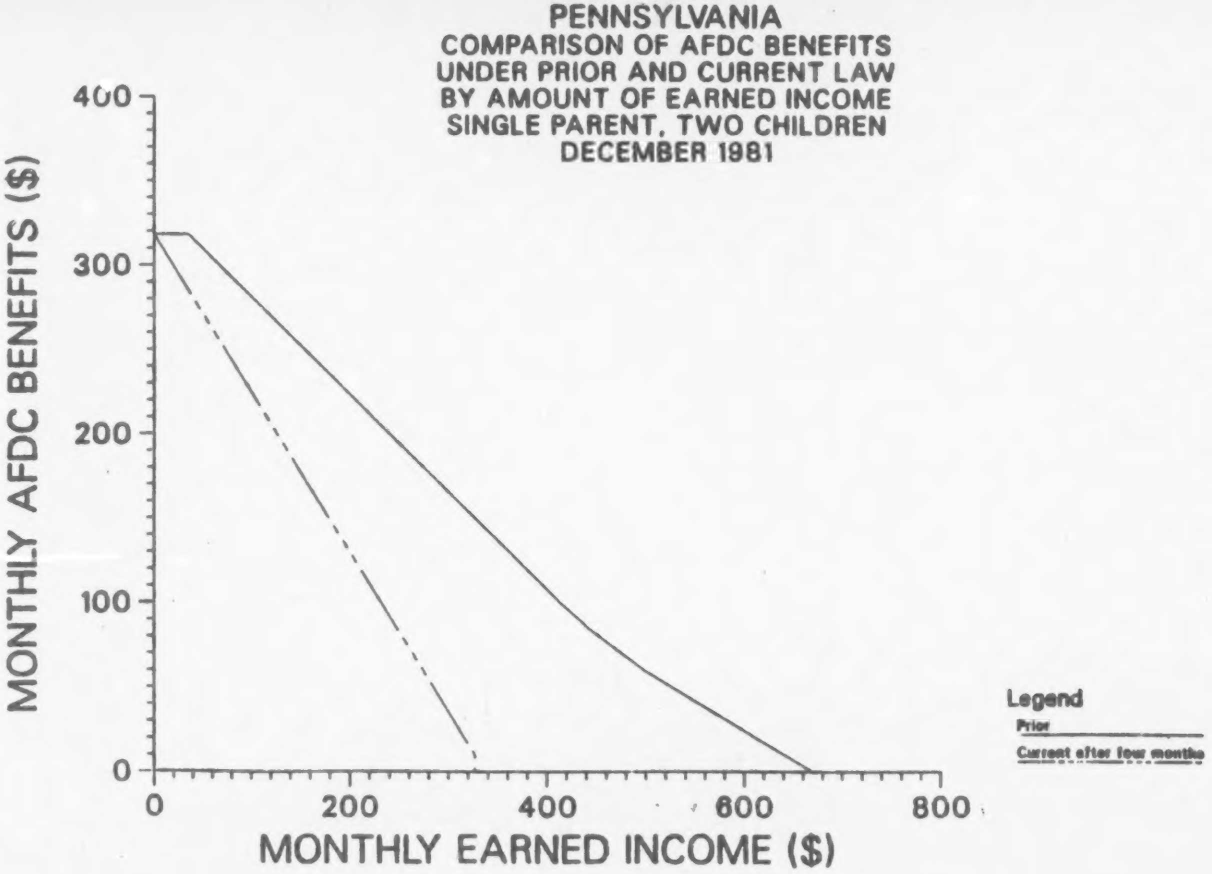
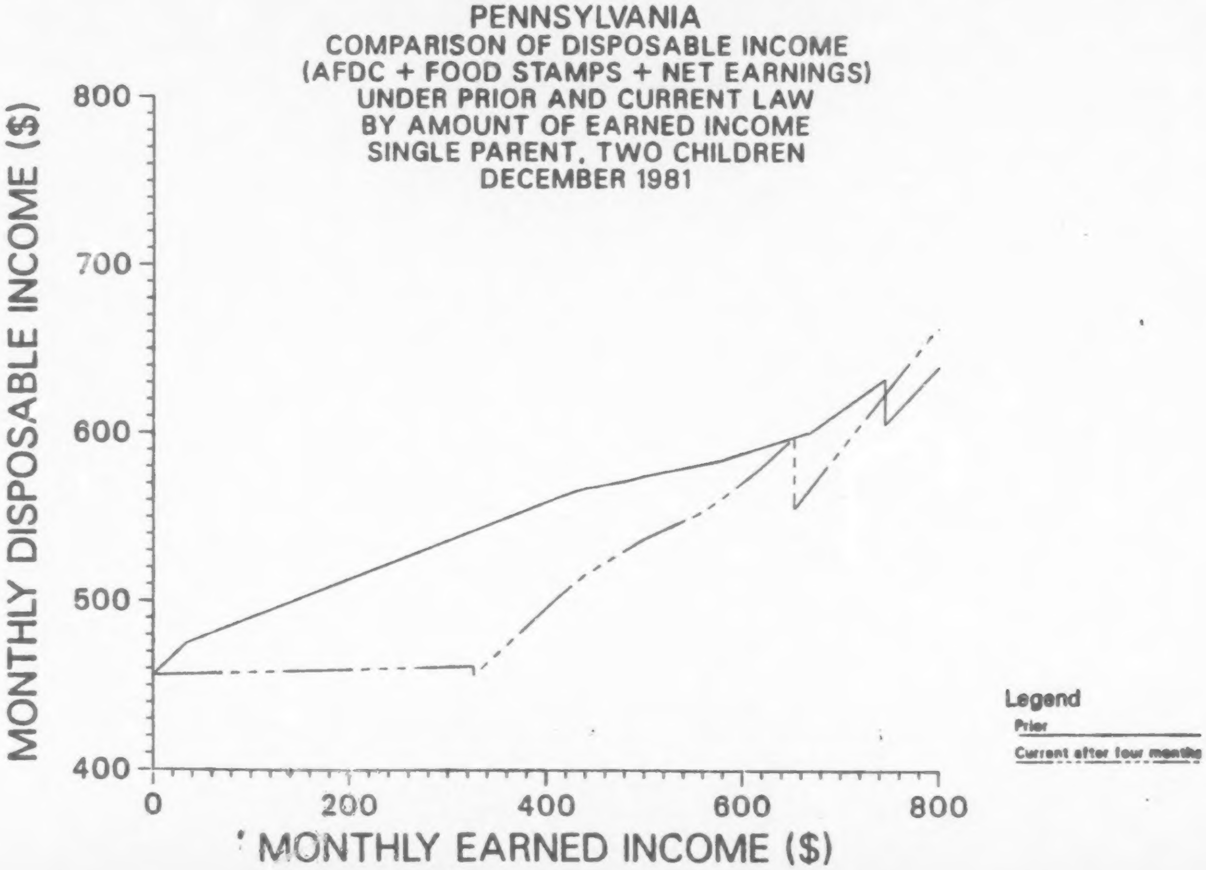
[1] Disposable income is AFDC benefits plus food stamps plus the earned income tax credit plus gross earnings, less work expenses (transportation expenses and payroll, State and Federal income taxes).

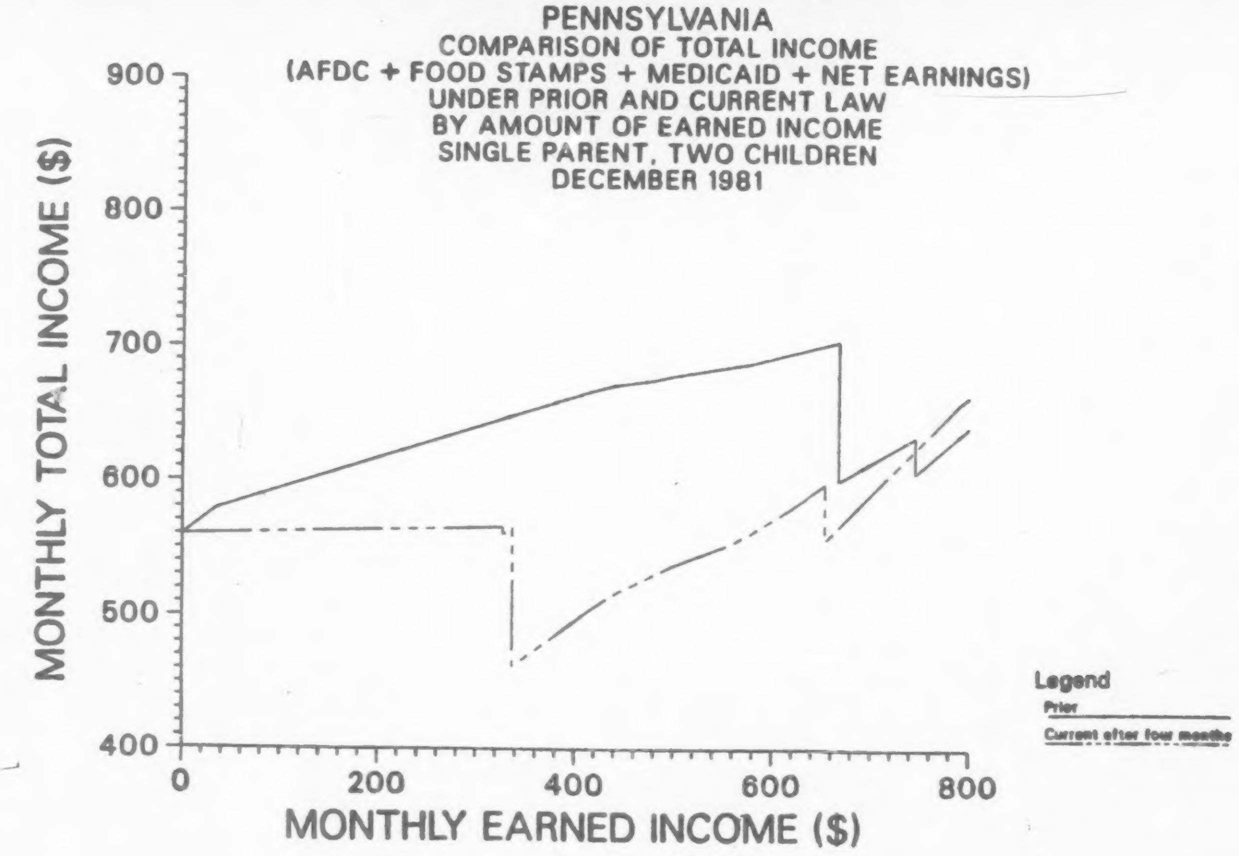
[2] Total income is disposable income plus an average medicaid expenditure for this type of family.



PENNSYLVANIA
COMPARISON OF AFDC BENEFITS
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
DECEMBER 1981



PENNSYLVANIA
COMPARISON OF DISPOSABLE INCOME
(AFDC + FOOD STAMPS + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
DECEMBER 1981



PENNSYLVANIA
COMPARISON OF TOTAL INCOME
(AFDC + FOOD STAMPS + MEDICAID + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
DECEMBER 1981

INTERACTION WITH SSI AND SOCIAL SECURITY

Social security benefits are treated as unearned income and thus AFDC benefits are reduced by $1 for each $1 of OASDI benefits. SSI benefits received by a potential member of an AFDC family are treated differently. This member (both a child or an adult receiving SSI benefits) will not be a part of the AFDC unit. Thus his needs are not taken into account in determining the AFDC benefit level. At the same time, the income and resources of the individual are ignored in determining the AFDC benefit.

CHARACTERISTICS

This section describes the characteristics of AFDC families prior to the enactment of the Omnibus Reconciliation Act of 1981 (Public Law 97-35). These provisions primarily affected families with earnings, and children living with their stepfathers. At present, data which describes the characteristics of families after these changes in the law are fully effective is not available.

Table 12 illustrates the trend in selected characteristics of AFDC families over the 10-year period from 1969 to 1979. During this time period, the average family size has decreased from 4 to 3; the percent of families with no other income except AFDC has increased from 56 percent to 80.6 percent; and the percentage of the caseload which is black has declined slightly while the percentage which is white has increased.

TABLE 12.—AFDC CHARACTERISTICS, 1969–79

	May 1969	January 1973	May 1975	March 1977	March 1979
Average family size (persons)	4.0	3.6	3.2	3.1	3.0
Incidence of fathers (percent):					
Absent	[1] 77.1	[2] 80.5	[2] 83.3	[2] 84.7	[2] 86.9
Not married to the mother	[1] 27.9	[2] 31.5	[2] 31.0	[2] 33.8	[2] 37.8
Incidence of working mothers (percent):					
With full-time jobs	8.2	9.8	10.4	8.4	8.7
With part-time jobs	6.3	6.3	5.7	5.3	5.4
Actively seeking work, or in school or training	10.0	11.5	12.2	13.8	12.8
Percent of families:					
With earnings	[3] NA	16.3	14.6	12.9	12.8
With no reported income other than AFDC	56.0	66.9	71.1	[4] 78.2	[4] 80.6
Median number of months on AFDC [5]	23.0	27.4	31.0	26.3	29.3
Race (percent):					
White	[6] 49.2	46.9	50.2	52.6	51.7
Black	46.2	45.8	44.3	43.0	43.9
Incidence of households (percent):					
Living in public housing	[7] 12.8	13.6	14.6	14.9	NA
Participating in food stamp or donated-food program	52.9	68.4	75.1	74.0	75.1
Including nonrecipient members	33.1	34.9	34.8	NA	NA

[1] Calculated on the basis of total number of families.

[2] Calculated on the basis of total number of children; on the basis of total number of families, the January 1973 percentages would be 83 for absent fathers and 34.7 for unmarried-to-mother fathers.

[3] 13.7 percent of mothers had earnings in 1969 survey month, compared with 14.4 percent in 1973, 13.7 percent in 1975, and 12.3 percent in 1977.

[4] State collected child support directly beginning in 1975, removing one source of non-AFDC income.

[5] Since most recent enrollment.

[6] Excludes Puerto Rico and the Virgin Islands.

[7] As of 1971. Item not available for 1969.

Source: Congressional Research Service based on AFDC recipient characteristic studies, conducted by the Department of Health and Human Services.

The AFDC recipient population is not a homogeneous group of families or individuals, as illustrated in Table 13. The table subdivides the AFDC caseload into six mutually exclusive and exhaustive groups. Column one of the table contains data on the entire caseload. Column two of the table describes the AFDC units with no adult recipients. They represent 14.8 percent of the total caseload and receives 9.5 percent of the total payments. The average payment per [illegible] $162 per month. Within this group, there are important differences in the reasons for AFDC eligibility. Approximately 30 percent of these cases are children living with stepparents. Typically in these cases, the income of the stepparent makes the natural mother of the children ineligible. In 36 percent of these cases both the mother and father are absent and the children are living with someone else—grandparents, other relatives, or friends. (The population covered by this data base did not include foster parents.) In the remainder of these cases, the children live with the mother but the mother does not receive AFDC because she receives SSI or other assistance income. These units, compared with the other AFDC families, are smaller, the age of the children is older, and these units have received AFDC assistance longer than average.

Columns three and four of the table present characteristics of the more typical AFDC units—one adult with children and no other adults in the household. Together these columns represent about 60 percent of the total caseload and receive 66 percent of the total payments. Column four is those units where the adult has earnings. Approximately one percent of these units are male-headed. Those cases with earnings tend to have older children and have been on AFDC a longer period of time compared to cases with no earnings.

Column five of the table presents data on one-adult units with children living with other non-recipient adults. These cases represent 17.6 percent of the total caseload and receive 14.3 percent of the total payments. Again these cases represent many different situations. In many of these cases, young mothers with children live with their parents; in other cases, natural fathers live with their children and other adults, while in still other cases a grandparent or other relatives live with the AFDC unit, or one or more AFDC units live together.

The final two columns (columns six and seven) of the table present characteristics of cases with two adult recipients. Column six represents those cases where one parent is incapacitated, and column seven presents data on the unemployed parents (AFDC-UP) program caseload. In total, they represent about 7.2 percent of the total caseload and receive about 10 percent of the total payments. The cases where one parent is incapacitated tend to be older, as demonstrated by both the age of the mother and the age of the youngest child. This group has also received aid for a longer time. The unemployed parents group receives AFDC assistance an average of 19.6 months, which is significantly less than the other groups of AFDC recipients.

TABLE 13.—MARCH 1979 AFDC CHARACTERISTICS

			One adult recipient			Two adult recipients	
	Total caseload	No adult recipients	No other adults—no earnings	No other adults—earnings present	Other adults present	One parent incapacitated	One parent unemployed
Percent of caseload	100.0	14.8	51.1	9.3	17.6	3.1	4.1
Total payments (millions of dollars)	860	82	511	58	123	31	55
Percent of payment	100.0	9.5	59.4	6.7	14.3	3.6	6.4
Average payment per case	251	162	292	182	203	297	387

TABLE 13.—MARCH 1979 AFDC CHARACTERISTICS—Continued

			One adult recipient			Two adult recipients	
	Total caseload	No adult recipients	No other adults—no earnings	No other adults—earnings present	Other adults present	One parent incapacitated	One parent unemployed
Food program participation (percent):							
Food stamps or donated food program	75.2	39.4	89.2	71.9	60.5	89.9	90.0
No participation	23.1	57.5	9.5	26.7	37.5	8.8	9.5
Unknown	1.7	3.1	1.3	1.4	2.0	1.3	0.5
Number of child recipients (percent):							
1	42.3	54.0	38.2	34.5	55.1	21.7	29.6
2	28.1	25.2	29.5	32.0	23.9	24.7	31.3
3	15.6	12.4	16.8	19.4	11.3	17.2	20.4
4	7.9	5.4	8.9	8.2	5.2	14.8	11.0
5	3.5	1.9	3.8	3.8	2.5	11.7	3.8
6 or more	2.5	1.1	2.6	2.2	1.9	9.9	3.9
Number of adult nonrecipients (percent):							
0	67.2	0.3	100.0	100.0	0.0	90.1	97.3
1	16.1	34.8	0.0	0.0	60.4	6.3	2.0
2 or more	16.7	64.9	0.0	0.0	39.6	3.6	0.7
Number of child nonrecipients (percent):							
0	80.9	59.8	93.5	93.8	50.9	87.6	95.4
1	9.4	19.3	4.9	4.2	18.5	8.2	3.3
2 or more	9.6	20.9	1.5	2.0	30.6	4.2	1.3
Age of mother:							
18 or under	3.8	0.0	3.1	0.6	10.4	2.5	5.7
19–24	25.7	6.7	29.3	15.5	36.6	12.9	34.9
25–29	19.6	12.4	22.1	23.2	16.5	14.8	22.2
30–39	24.9	20.6	26.2	40.2	15.3	34.5	23.6
40–49	10.5	9.0	10.1	13.7	10.2	17.5	9.0
50 or over	3.6	4.2	2.9	3.6	4.6	6.2	2.8
Unknown	3.7	10.0	2.5	0.8	3.2	6.5	1.9
No mother	8.3	37.0	3.7	2.2	3.2	5.1	0.0
Age of youngest child:							
Unborn	0.5	0.1	0.4	0.1	1.1	0.9	1.1
0–3	42.2	22.6	46.1	25.3	51.9	39.8	63.7
3–6	19.2	17.0	20.8	21.2	17.2	17.3	12.5
7–18	36.8	58.5	31.8	52.4	27.9	41.0	20.7
19–20	0.5	1.3	0.2	0.6	0.6	0.4	0.2
Unknown	0.8	0.4	0.7	0.3	1.3	0.6	1.8

TABLE 13.—MARCH 1979 AFDC CHARACTERISTICS—Continued

	Total caseload	No adult recipients	One adult recipient			Two adult recipients	
			No other adults—no earnings	No other adults—earnings present	Other adults present	One parent incapacitated	One parent unemployed
Father's relationship to youngest child:							
No father	84.7	66.2	99.0	99.0	84.0	11.3	0.0
Natural father	9.6	4.2	1.0	1.0	11.1	79.0	97.8
Adoptive father	0.0	0.2	0.0	0.0	0.0	0.0	0.3
Stepfather	5.6	29.4	0.0	0.0	4.8	9.7	1.9
Mean length of time on AFDC	44.7	50.9	45.9	54.0	37.8	40.5	19.6

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

Table 14 contains several other characteristics for the entire caseload. In 18 percent of the cases, the mother is not present or is not receiving a payment; in 20.6 percent the mother is a mandatory registrant for WIN and in another 4.1 percent is a voluntary registrant for WIN. In 4.1 percent of the cases, the mother is ill or incapacitated while in 43.1 percent of the cases the mother is not required to register because the mother is caring for a child under the age of six.

The next set of data describe the employment status of the mother. In 8.0 percent of the cases, the mother is working full time; and in another 5.0 percent of the cases, she is working part time. Slightly over 9 percent of the mothers are seeking work.

The last set of data describe the length of time families have been receiving AFDC. Approximately 29 percent of the caseload have been receiving benefits for less than one year while 27 percent have been receiving benefits for over 5 years.

TABLE 14.—MARCH 1979 AFDC CHARACTERISTICS

	Total caseload
Mother's WIN status:	
No mother or mother not receiving payment	18.0
Mandatory registrant	20.6
Voluntary registrant	4.1
Ill or incapacitated	4.1
Child or other care	43.1
No WIN project	7.2
Other	2.9
Mother's employment status:	
No mother	8.3
Full-time work, 35 or more hours per week	8.0
Part-time work, fewer than 35 hours per week	5.0

TABLE 14.—MARCH 1979 AFDC CHARACTERISTICS—Continued

	Total caseload
Incapacitated	6.0
At school	2.6
On layoff	0.5
Seeking work	9.1
Other—needed at home or not actively seeking work	60.5
Number of months on AFDC since most recent opening (percent):	
1 to 6 months	16.4
7 to 12 months	12.5
13 to 24 months	16.7
25 to 36 months	11.4
37 to 60 months	15.3
61 plus months	26.9
Unknown	0.8

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

Tables 15 and 16 describe the income sources of the entire caseload. These tables show that the total amount of income received in March 1979 was $198.2 million. It should again be noted that these numbers will be altered as a result of the budget reductions taking effect in fiscal year 1982. Approximately 19.4 percent of the caseload has income, and the average amount of income for these families is $299 per month.

Of the AFDC families with income, 15.7 percent earn less than $100 per month; 16.6 percent earn between $101 and $200 per month; 16.0 percent earn between $201 and $300 per month; 17.5 percent earn between $301 and $400 per month and 14.7 percent earn between $401 and $500 per month. Approximately 19.6 percent earn over $500 per month. About 2.4 percent earn over $750 per month, and only 0.5 percent earn over $1,000 per month.

Earned income of the adult recipient totaled $157.5 million or well over 75 percent of the total income of AFDC households. About 12 percent of the mothers have earnings, and the average amount for this group is $382 per month. Table 13 contains similar information for the income disregards, showing that approximately $118 million of income is disregarded. By far the largest source of the income disregard is the $30 and one-third rule—$62.8 million. Approximately 13.8 percent of the caseload had an earned income disregard, and the average amount disregarded is $250. The total amount of earned income disregarded as a ratio of total earned income is 68.3 percent.

TABLE 15.—DESCRIPTION OF INCOME SOURCES, MARCH 1979

Income source	Total amount (millions)	Percentage of caseload with income type	Average amount for those with income type
Earned income:			
Mother	157.5	12.0	382
Father	6.5	0.6	323
Children (14+)	0.5	0.1	206
Other adults	1.0	0.1	265
Public service	0.5	0.1	246
OASDI	14.1	3.1	134
Veterans' benefits	1.9	0.4	128
Other pensions	2.1	0.4	143
Unemployment compensation	5.6	0.7	238
Workmen's compensation	0.4	0.1	237
Stepparent contributions	0.5	0.2	63
Contributions from other persons	1.4	0.6	72
Other cash income	5.3	1.9	81
In-kind income	0.9	0.4	71
Total	198.2	19.4	299

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

TABLE 16.—DESCRIPTION OF INCOME DISREGARDS, MARCH 1979

Disregards	Total amount (millions)	Percent of caseload with disregard	Average amount for those with disregard
Optional $5 disregard	0.2	1.1	6
$30 and one-third of earned income	63.3	12.5	147
Child care	13.4	3.9	101
Other work expenses (e.g. taxes, meals, transportation)	28.0	8.4	95
Cases with child care and other work expenses[1]	10.2	3.0	100
Child support	0.4	0.1	93
Other	4.3	1.6	77
Total	118.4	13.8	250

[1] In these cases, there was insufficient information in the data file to distinguish between child care and other work expenses.

Note.—Total Earned Income Disregards/Total Earned Income=.683.

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

WORK INCENTIVE (WIN) PROGRAM (TITLE IV–C)

The work incentive (WIN) program was established in 1967 with the purpose of providing job training and placement to assist individuals receiving AFDC to become self-supporting (see tables 17 through 20). Federal law requires that most persons 16 years of age or older who are receiving or applying for AFDC must register for WIN. An individual may be exempt from the WIN registration requirement if he or she is unable to participate due to illness, incapacity, advanced age, full-time student status, remoteness from a WIN project or due to the care of an ill or incapacitated member of the household. Also exempt are mothers or other females caring for a child under 6 years of age when the father or other male relative in the house is registered with WIN. A 1980 amendment exempted, in addition, persons who are working at least 30 hours a week.

TABLE 17.—WORK INCENTIVE PROGRAM DATA, SELECTED FISCAL YEARS 1975–82

[Persons in thousands; dollars in millions]

Category	1975	1977	1979	1981	1982
New registrants	839	1,061	920	1,156	903
Registrants on board (end of year)	1,335	1,542	1,502	1,567	1,006
Appraisals	555	691	626	808	653
Certifications	328	484	478	377	292
Entered Employment: [1]					
Full time	171	246	250	250	147
Part time		32	48	69	51
Total [2]	171	278	299	310	193
Welfare cost savings [3]	NA	$436	$599	$760	$521
Appropriations	$210	$370	$385	$365	$281

[1] Numbers do not total; some individuals have both part-time and full-time jobs.

[2] Totals may not equal the sum of the components, due to rounding.

[3] Department of Labor estimates.

Source: Data provided by U.S. Department of Labor; table compiled by Congressional Research Service.

TABLE 18.—WIN REGISTRANTS AND JOB ENTRANTS BY SELECTED CHARACTERISTICS, FISCAL YEARS 1977, 1979, 1982

[In percent]

Characteristic	1977		1979		1982	
	Registrants	Job entrants	Registrants	Job entrants	Registrants	Job entrants
Total	100.0	100.0	100.0	100.0	100.0	100.0
Sex:						
Male (total) [1]	27.4	37.8	24.8	30.3	28.2	33.5
(Unemployed fathers)	[2] NA	NA	(12.5)	(16.7)	(15.8)	(22.0)
Female	72.6	62.2	75.2	69.7	71.7	66.5
Ethnic Group:						
White	55.4	67.6	44.9	55.4	44.5	55.2
Black	39.0	28.9	39.4	31.5	37.5	28.9
Other	5.6	3.5	15.7	13.1	17.9	15.9
Years of school completed:						
0 to 7 years	10.5	6.2	9.9	5.8	[3] 16.4	[3] 10.7
8 to 11 years	48.7	44.8	47.7	44.3	[4] 38.0	[4] 33.1
12 years	33.1	39.1	33.7	39.1	35.5	42.7
Over 12 years	7.7	9.9	8.7	10.8	10.1	13.5
Age:						
Under 22 years	15.7	15.2	13.8	13.4	12.9	10.6
22 to 39 years	62.0	69.4	63.6	71.2	[5] 75.3	[5] 82.3
40 years and over	22.3	15.4	22.6	15.4	[6] 11.8	[6] 7.1
Registrant status:						
Mandatory	79.0	82.6	83.5	82.1	88.1	83.8
Voluntary	21.0	17.4	16.5	17.9	11.9	16.2

[1] Includes male heads of single-parent households, unemployed fathers, and other males, most of them youth (under 22 years of age) who are recipient members of AFDC families.

[2] Not applicable.

[3] 1982 data includes up to 8 years of school completed.

[4] 1982 data includes 9 through 11 years of school completed.

[5] 1982 data includes ages 22 through 44.

[6] 1982 data includes ages 45 and over.

Source: U.S. Departments of Labor and Health, Education, and Welfare. WIN: 1968–78, A Report at 10 Years. The Work Incentive Program. Ninth Annual Report to Congress. June 1979, Washington, 1979. p. 20; and based on conversations with DOL staff.

As a condition for AFDC eligibility, every individual must register for manpower services, training, employment and other employment related activities (including employment search). Registrants selected for participation in WIN must accept available jobs, training or needed services to prepare them for employment. Refusal to do so without good cause will cause an end to their AFDC payments. In the case of a single parent who refuses to work, payment to the nonworking adult is denied, but protective payments continue for the children. In the case of two-parent families, the entire family is made ineligible.

Effective for tax years beginning after December 31, 1981 WIN registrants and AFDC recipients were added to the list of target groups for whom employers can receive a targeted jobs credit. The credit is equal to 50 percent of up to $6,000 in wages for the first year of employment and 25 percent of such wages for the second year.

Prior law offered a special WIN tax credit, equal in size to the targeted jobs credit, to encourage employers to hire AFDC recipients and/or WIN registrants.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) authorized States to establish 3-year demonstration projects of their own design as an alternative to WIN, operated by State welfare agencies, in which program components could be varied by region or political subdivision and earnings from which would not make a family ineligible for AFDC supplementation. As of late 1982, 17 States were operating WIN demonstrations.

TABLE 19.—WIN COSTS, BY COMPONENT, FISCAL YEARS 1980 AND 1981

[Dollars in thousands]

	Fiscal year 1980	Fiscal year 1981
Total grants to States	$359,886	$370,987
(Intake services)	(148,975)	(173,314)
(Work and training)	(97,420)	(84,949)
(Child care/supportive services) [1]	(113,491)	(112,724)
Program direction and evaluation	11,945	(11,939)
Total WIN costs	371,831	382,926

[1] HHS incurs the costs for child care/supportive services, and the remaining costs are incurred by DOL.

Source: U.S. Department of Labor.

TABLE 20.—WIN PARTICIPANTS PLACED IN EMPLOYMENT AND RETAINED 30 DAYS OR MORE, FISCAL YEARS 1977, 1979, 1981 AND 1982

	1977	1979	1981	1982
Expected to last 30 days or more	272,006	291,836	310,303	192,797
Retention rate	76.8	80.4	88.8	89.1
Number employed, off welfare	136,500	153,843	164,972	145,975
Percent of total who entered employment	50.2	52.7	53.2	75.7

Source: U.S. Department of Labor.

Child Support Enforcement Program (Title IV-D)

Title IV-D of the Social Security Act was enacted in 1975 to establish a program of child support enforcement. The program provides services to both AFDC and non-AFDC families to locate absent parents, establish paternity, and to assist in the establishment and collection of both court-ordered, administratively ordered, and voluntary child support payments. The program was enacted in an effort to require absent parents to support their children and thereby reduce AFDC expenditures.

Applicants for, and beneficiaries of, AFDC are required to make an assignment of support rights to the State in order to receive AFDC. In addition, each applicant or recipient must cooperate with the State if necessary to establish paternity and secure child support.

The support payments made on behalf of AFDC children are paid to the State for distribution rather than directly to the family. If the child support collection is insufficient to make the family ineligible for public assistance, the family receives its full welfare grant and the child support is distributed to reimburse the State and Federal Governments in proportion to their assistance to the family. If the recipient's income, including the child support, exceeds the State's need standard, the recipient's benefits are terminated.

Non-AFDC families participate in the program on a voluntary basis. Services to non-AFDC families were made a permanent part of the program in 1980. Money paid for non-AFDC families goes directly to the family.

FINANCING

Federal matching of 70 percent is available to pay State costs of administering the child support enforcement program. (Prior to October 1, 1982, the Federal share was 75 percent.) Costs of developing or improving management information systems are matched at 90 percent. Collections made on behalf of families receiving AFDC directly offset AFDC benefit costs and are shared between the Federal Government and the States in accordance with the matching formula used for the AFDC program. In addition, States and localities receive incentive payments equal to 15 percent (12 percent starting October 1, 1983) of each collection made on behalf of an AFDC family. The child support enforcement program was designed with these special incentives to the State and local jurisdictions to obtain their full participation. The incentive payments are subtracted entirely from the Federal share, and the States receive a larger share of the collections than the Federal Government.

TABLE 21.—COLLECTIONS AND COSTS UNDER THE CHILD SUPPORT ENFORCEMENT PROGRAM

[Dollars in millions]

	Fiscal year	
	1981	1982
Collections (AFDC families):		
Total (Federal and State)	$688	$872
Federal share	268	323
Administrative costs:		
Total (Federal and State)	542	648
Federal share	421	490
Net collections (collections minus costs):		
Total (Federal and State)	146	224

TABLE 21.—COLLECTIONS AND COSTS UNDER THE CHILD SUPPORT ENFORCEMENT PROGRAM—Continued

[Dollars in millions]

	Fiscal year	
	1981	1982
Federal share	−153	−167

Source: Department of Health and Human Services justification of fiscal year 1983 budget, p. 161.

As seen in table 21, although the child support enforcement program is a net gain for the States, it is a significant net cost to the Federal Government.

Although the effectiveness of individual State programs varies greatly, the State share of child support enforcement collections made on behalf of AFDC families more than offsets the administrative costs to the States of serving both the AFDC and non-AFDC caseload. In the aggregate, the States accumulated a net savings of over $264.5 million in fiscal year 1981. In 46 States,[3] the State share of AFDC collections plus incentive payments exceeded the State share of total costs (both AFDC and non-AFDC costs). At the same time only 12 States[4] achieved net savings for the Federal Government.

Table 22 presents actual 1981 collections and administrative costs by State and shows both the Federal and State portion. Table 23 presents the ratio of total collections to total cost by State and the overall gain or loss to the Federal and State government for each State program.

TABLE 22.—CHILD SUPPORT ENFORCEMENT—FEDERAL AND STATE SHARE OF COLLECTIONS AND ADMINISTRATION—FISCAL YEAR 1981

[In thousands]

State	Federal share of collections	Federal share of administration	State share of AFDC support collections	Incentive payments	State share of administrative expenditures
Alabama	$3,210	$4,688	$1,428	$628	$1,409
Alaska	324	1,736	373	113	626
Arizona	239	3,918	743	147	693
Arkansas	1,497	2,387	697	385	853
California	35,339	78,856	50,267	9,296	24,015
Colorado	2,561	5,015	1,945	755	1,422

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[3] Does not include the District of Columbia, Guam, Puerto Rico, the Virgin Island, Alaska, Mississippi, Nevada, and Oklahoma.

[4] Connecticut, Idaho, Iowa, Maine, Massachusetts, New Hampshire, Ohio, Rhode Island, South Carolina, South Dakota, Vermont, and Wisconsin.

TABLE 22.—CHILD SUPPORT ENFORCEMENT—FEDERAL AND STATE SHARE OF COLLECTIONS AND ADMINISTRATION—FISCAL YEAR 1981—Continued

[In thousands]

State	Federal share of collections	Federal share of administration	State share of AFDC support collections	Incentive payments	State share of administrative expenditures
Connecticut	6,310	6,055	7,821	2,325	1,937
Delaware	823	2,101	1,001	300	628
District of Columbia	593	2,366	564	169	814
Florida	6.027	8,190	4,965	2,080	2,685
Georgia	2,933	3,960	2,445	1,078	1,198
Hawaii	1,390	2,381	1,564	497	495
Idaho	1,295	1,115	890	428	366
Illinois	6,983	11,417	6,027	1,936	3,358
Indiana	3,870	4,198	3,804	1,502	1,503
Iowa	6,240	4,336	6,586	2,106	1,453
Kansas	1,919	2,905	2,387	770	962
Kentucky	2,342	4,623	1,377	666	1,503
Louisiana	3,661	7,098	2,152	1,181	2,390
Maine	2,663	1,444	1,423	699	448
Maryland	4,857	9,164	7,513	2,131	3,197
Massachusetts	14,908	10,117	18,453	5,597	3,292
Michigan	28,518	28,571	43,652	11,550	7,583
Minnesota	6,470	9,265	8,918	2,737	3,204
Mississippi	402	1,550	140	57	494
Missouri	2,850	6,154	2,467	888	1,842
Montana	724	902	367	153	280
Nebraska	1,177	1,708	1,226	419	593
Nevada	270	2,354	421	125	663
New Hampshire	1,181	744	838	343	256
New Jersey	10,850	23,556	15,602	4,681	6,864
New Mexico	994	1,733	590	282	549
New York	18,235	55,625	23,878	7,163	15,889
North Carolina	5,996	7,013	3,959	1,724	2,172
North Dakota	642	811	567	219	256
Ohio	15,401	12,856	13,698	4,574	4,591
Oklahoma	869	3,724	810	326	1,229
Oregon	5,946	8,662	5,459	1,845	2,876
Pennsylvania	14,305	23,154	16,619	5,399	7,512
Rhode Island	1,934	1,130	1,511	505	397
South Carolina	1,908	1,690	899	381	452

TABLE 22.—CHILD SUPPORT ENFORCEMENT—FEDERAL AND STATE SHARE OF COLLECTIONS AND ADMINISTRATION—FISCAL YEAR 1981—Continued

[In thousands]

State	Federal share of collections	Federal share of administration	State share of AFDC support collections	Incentive payments	State share of administrative expenditures
South Dakota	781	776	372	118	257
Tennessee	2,624	4,891	1,125	568	1,175
Texas	4,449	10,680	2,687	1,114	3,653
Utah	3,682	3,984	2,548	1,238	1,245
Vermont	926	629	611	289	226
Virginia	3,730	4,960	3,840	1,130	1,777
Washington	8,723	12,293	9,535	2,817	2,943
West Virginia	1,415	1,848	711	389	603
Wisconsin	12,937	9,617	13,832	4,945	2,846
Wyoming	208	213	255	69	69
Guam	97	109	34	2	40
Puerto Rico	142	1,080	27	73	310
Virgin Islands	107	187	39	23	76
Total	268,477	420,538	301,760	90,936	128,175

TABLE 23.—TOTAL AFDC CHILD SUPPORT COLLECTIONS, ADMINISTRATIVE COST, RATIO OF COLLECTIONS TO ADMINISTRATIVE COST, AND NET GAIN OR LOSS TO FEDERAL AND STATE GOVERNMENTS BY STATE—FISCAL YEAR 1981

[In thousands of dollars]

	Total AFDC collections	Administrative cost	Ratio of collections to cost	Federal gain [1]	State gain [1]
Alabama	5,266	6,097	.86	−1,478	647
Alaska	810	2,362	.34	−1,412	−140
Arizona	1,129	4,611	.24	−3,679	197
Arkansas	2,579	3,240	.80	−890	229
California	94,902	102,871	.92	−43,517	35,548
Colorado	5,261	6,437	.82	−2,454	1,278
Connecticut	16,456	7,992	2.06	255	8,209
Delaware	2,124	2,729	.78	−1,278	673
District of Columbia	1,326	3,180	.42	−1,773	−81
Florida	13,072	10,875	1.20	−2,163	4,360
Georgia	6,456	5,158	1.25	−1,027	2,325

TABLE 23.—TOTAL AFDC CHILD SUPPORT COLLECTIONS, ADMINISTRATIVE COST, RATIO OF COLLECTIONS TO ADMINISTRATIVE COST, AND NET GAIN OR LOSS TO FEDERAL AND STATE GOVERNMENTS BY STATE—FISCAL YEAR 1981—Continued

[In thousands of dollars]

	Total AFDC collections	Administrative cost	Ratio of collections to cost	Federal gain [1]	State gain [1]
Hawaii	3,451	2,876	1.20	−991	1,566
Idaho	2,613	1,481	1.76	180	952
Illinois	14,946	14,775	1.01	−4,434	4,605
Indiana	9,176	5,701	1.61	−328	3,803
Iowa	14,932	5,789	2.58	1,904	7,239
Kansas	5,076	3,867	1.31	−986	2,195
Kentucky	4,385	6,126	.72	−2,281	540
Louisiana	6,994	9,488	.74	−3,437	943
Maine	4,785	1,892	2.53	1,219	1,674
Maryland	14,501	12,361	1.17	−4,307	6,447
Massachusetts	38,958	13,409	2.91	4,791	20,758
Michigan	83,720	36,154	2.32	−53	47,619
Minnesota	18,125	12,469	1.45	−2,795	8,451
Mississippi	599	2,044	.29	−1,148	−297
Missouri	6,205	7,996	.78	−3,304	1,513
Montana	1,244	1,182	1.05	−178	240
Nebraska	2,822	2,301	1.23	−531	1,052
Nevada	816	3,017	.27	−2,084	−117
New Hampshire	2,362	1,000	2.36	437	925
New Jersey	31,133	30,420	1.02	−12,706	13,419
New Mexico	1,866	2,282	.82	−739	323
New York	49,276	71,514	.69	−37,390	15,152
North Carolina	11,679	9,185	1.27	−1,017	3,511
North Dakota	1,428	1,067	1.34	−169	530
Ohio	33,673	17,447	1.93	2,545	13,681
Oklahoma	2,005	4,953	.40	−2,855	−93
Oregon	13,250	11,538	1.15	−2,716	4,428
Pennsylvania	36,323	30,666	1.18	−8,849	14,506
Rhode Island	3,950	1,527	2.59	804	1,619
South Carolina	3,188	2,142	1.49	218	828
South Dakota	1,271	1,033	1.23	5	233
Tennessee	4,317	6,066	.71	−2,267	518
Texas	8,250	14,333	.58	−6,231	148
Utah	7,468	5,229	1.43	−302	2,541
Vermont	1,826	855	2.14	297	674
Virginia	8,700	6,737	1.29	−1,230	3,193

TABLE 23.—TOTAL AFDC CHILD SUPPORT COLLECTIONS, ADMINISTRATIVE COST, RATIO OF COLLECTIONS TO ADMINISTRATIVE COST, AND NET GAIN OR LOSS TO FEDERAL AND STATE GOVERNMENTS BY STATE—FISCAL YEAR 1981—Continued

[In thousands of dollars]

	Total AFDC collections	Administrative cost	Ratio of collections to cost	Federal gain [1]	State gain [1]
Washington	21,075	15,236	1.38	−3,570	9,409
West Virginia	2,515	2,451	1.03	−433	497
Wisconsin	31,714	12,463	2.54	3,320	15,931
Wyoming	532	282	1.89	−5	255
Guam	133	149	.89	−12	−4
Puerto Rico	342	1,390	.25	−938	−110
Virgin Islands	169	263	.64	−80	−14
Total	661,173	548,713	1.20	−152,061	264,521

[1] Minus sign indicates a loss.

State child support enforcement agencies are required to serve both AFDC and non-AFDC families. The program made collections on behalf of 514,000 AFDC families and 404,000 non-AFDC families in fiscal year 1982. Total child support collections in fiscal year 1982 amounted to a little over $1.5 billion, of which close to $760 million was collected on behalf of families receiving AFDC. The child support enforcement caseload was comprised of 5,107,000 AFDC families and 1,169,000 non-AFDC families in fiscal year 1981. In fiscal year 1981, 705,000 parents were located, support obligations were established in 420,000 cases, paternity was established in approximately 163,000 cases, and almost 46,000 families (cases) were removed from the AFDC rolls due to child support collections.

Total collections made by the child support enforcement program almost doubled from fiscal year 1976, first full year of operation, to fiscal year 1978, then rose more slowly. Collections totaled $512 million in fiscal year 1976, reached a peak of $1.6 million in fiscal year 1981, and then receded slightly to $1.5 billion in fiscal year 1982.

Pursuant to Public Law 96–272, the Office of Child Support Enforcement is required to report the extent to which services to non-AFDC recipients prevented non-AFDC families from needing AFDC assistance. OCSE estimated, on the basis of sample data compiled by Maximus, Inc., that approximately 24 percent of the non-AFDC child support caseload were below the 1980 Census Bureau poverty levels for non-farm female headed households and "would have been eligible for AFDC" had they not received child support payments through the efforts of the child support enforcement agency. OCSE further estimated that the net savings by the Federal and State governments, as a result of not having to provide assistance to such non-AFDC families, was $66 million and $58 million, respectively in fiscal year 1981.[1]

In addition, fiscal year 1981 data indicated that approximately 46,000 families were removed from the AFDC rolls primarily as a result of child support payments being received. Net savings by the Federal and State governments from child support activities in these cases were roughly estimated at $60 million each.[2] (See table 24)

CHANGES MADE BY THE 97TH CONGRESS

The Omnibus Budget Reconciliation Act of 1981 included several provisions aimed at making the program more effective and reducing administrative costs. The amendments: required the collection of past-due child and spousal support from Federal tax refunds in the case of families receiving AFDC; authorized collection of alimony on behalf of an AFDC child's parent if she herself is an AFDC recipient and lives with the child; permitted use of IRS collection procedures for the collection of support obligations established by administrative order as well as by court order; required States to charge a fee equal to 10 percent of the support collected for a non-AFDC family, charging the fee against the absent-parent; reinstated a provision of the Social Security Act declaring that a child support obligation assigned to a State as a condition of AFDC eligibility is not discharged in bankruptcy; and permitted the collection of past-due child support obligations from the unemployment benefits or trade adjustment benefits of a delinquent parent.

The Tax Equity and Fiscal Responsibility Act of 1982 contains child support enforcement provisions that: reduce the Federal matching rate for State administrative costs from 75 percent to 70 percent; reduce child support incentive payments, made to State and local governments, from 15 percent to 12 percent, effective October 1, 1983; repeal Federal matching for the costs of court personnel, effective October 1, 1983; require allotments from the pay and allowances of any member of the uniformed service on active duty when he fails to make child or spousal support payments; repeal the Reconciliation Act provision and restore the fee provision of prior law under which States could provide services to non-AFDC families without charge or recover costs of serving such families by charging an application fee of up to $20 and retaining a portion of any child support payments which were collected; give the States the additional option of allowing them to recover costs either from the absent parent or from the custodial parent; and require that child support payments collected which are sufficient to make the family ineligible for AFDC will be paid to the family in months after the first month of ineligibility. Under this final rule, a family is unable to receive double payment for the same month, once in the form of AFDC, and once as a result of the child support collection.

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[1] Child support enforcement. 6th annual report, p. 49, Department of Health and Human Services. December 1981, p. 49.

[2] Ibid., p. 50.

TABLE 24.—NUMBER OF SUPPORT OBLIGATIONS ESTABLISHED, PARENTS LOCATED, AND PATERNITIES ESTABLISHED (BY STATE, FISCAL YEAR 1981) AND NUMBER OF FAMILIES REMOVED FROM AFDC DUE TO CHILD SUPPORT

[By State, fiscal year 1981]

State	Number of support obligations established	Number of parents located	Number of paternities established	Number of cases closed
Nationwide totals	420,092	704,995	163,554	45,618
Alabama	5,137	12,768	4,884	135
Alaska	955	1,291	73	150
Arizona	2,993	6,275	542	[4] 31
Arkansas	3,484	2,134	677	297
California	63,787	112,584	22,899	(*)
Colorado	6,560	15,906	1,103	[5] 172
Connecticut	[1] 12,474	5,559	3,741	209
Delaware	1,814	2,294	694	(*)
District of Columbia	550	1,460	907	53
Florida	13,778	38,893	7,557	582
Georgia	7,372	12,293	5,329	0
Guam	169	487	297	2
Hawaii	2,069	5,880	794	27
Idaho	3,965	850	79	480
Illinois	10,933	6,393	6,028	(*)
Indiana	12,719	9,015	1,287	5,770
Iowa	10,752	18,423	1,373	41
Kansas	2,600	10,339	1,074	483
Kentucky	5,718	14,035	2,157	436
Louisiana	7,682	9,287	2,869	1,022
Maine	3,109	1,787	339	650
Maryland	10,100	18,650	10,435	970
Massachusetts	12,414	[2] 22,650	3,564	(*)
Michigan	10,445	32,495	10,696	1,639
Minnesota	8,268	15,546	2,526	1,146
Mississippi	822	15,841	1,725	86
Missouri	3,719	7,582	476	952
Montana	69	2,471	97	82
Nebraska	789	[3] 2,800	268	46
Nevada	4,362	3,810	395	[4] 106
New Hampshire	219	2,061	71	(*)
New Jersey	24,744	32,220	11,282	3,155
New Mexico	4,416	10,004	1,258	66
New York	27,987	52,119	12,041	2,495
North Carolina	11,473	19,635	6,728	289

TABLE 24.—NUMBER OF SUPPORT OBLIGATIONS ESTABLISHED, PARENTS LOCATED, AND PATERNITIES ESTABLISHED (BY STATE, FISCAL YEAR 1981) AND NUMBER OF FAMILIES REMOVED FROM AFDC DUE TO CHILD SUPPORT—Continued

[By State, fiscal year 1981]

State	Number of support obligations established	Number of parents located	Number of paternities established	Number of cases closed
North Dakota	443	847	328	125
Ohio	7,796	21,098	7,658	584
Oklahoma	3,824	12,242	698	159
Oregon	7,259	18,126	2,199	478
Pennsylvania	34,942	16,738	7,305	(*)
Puerto Rico	10,943	14,371	39	[4] 260
Rhode Island	2,835	2,506	354	1,383
South Carolina	1,272	5,936	1,536	724
South Dakota	338	1,521	137	123
Tennessee	4,149	8,750	5,669	16,152
Texas	11,784	19,360	1,822	1,405
Utah	4,794	19,103	1,076	401
Vermont	1,327	576	245	(*)
Virgin Islands	138	360	3	1
Virginia	7,949	12,904	1,995	524
Washington	9,211	7,183	981	(*)
West Virginia	728	4,699	484	1,383
Wisconsin	11,544	11,040	4,672	233
Wyoming	369	1,798	88	111

*The reporting form was submitted, however this item was not available.

[1] Connecticut's figures represent only those support obligations established for AFDC cases.

[2] Massachusetts' number of parents located includes AFDC data only; non-AFDC data were not reported.

[3] Nebraska's figures include only those non-AFDC parents located as AFDC data is not yet available from the counties.

[4] Represents data for 11 months of the fiscal year only.

[5] Colorado's figure represents 2 months of fiscal year only.

ADMINISTRATION

The Federal administration of title IV-D is coordinated through the Office of Child Support Enforcement (OCSE) of the Department of Health and Human Services. OCSE reviews and approves State IV-D plans, establishes standards for effective State child support programs, provides technical assistance to the States, assists them with reporting procedures, maintains records of program operations and child support expenditures and collections, and audits State programs. OCSE can also initiate court actions in Federal district courts for the enforcement of child support orders in interstate cases.

The Federal Parent Locator Service within OCSE obtains and transmits to State and local child support agencies information contained in the files of the Federal Government to assist in locating absent parents.

Each State must designate a single and separate organizational unit to administer the IV-D program within the State. In 48 States, the child support agency is located within the State welfare department. Child support enforcement programs may be operated directly by the IV-D agency or through cooperative arrangements with law enforcement officials such as district attorneys, friends of the court, and attorneys general.

APPENDIX G. FOOD STAMP PROGRAM

The food stamp program is designed to increase the food purchasing power of low-income households to a point where they can buy a nutritionally adequate low-cost diet. The theory behind the program is that a participating household is expected to be able to devote 30 percent of its countable[1] cash income to food, with food stamp benefits making up the difference between that amount and the sum determined to be sufficient to buy an adequate low-cost diet; i.e., the cost of the Department of Agriculture's "Thrifty Food Plan." Thus, an eligible household with no countable cash income receives the maximum monthly food stamp allotment for its size (benefits also vary by household size), while one with some countable cash income receives a lesser allotment—reduced from the maximum at the rate of 30 cents for each dollar of countable cash income. Food stamp benefits are available to nearly all households meeting the *income and liquid assets eligibility tests,* as long as certain household members fulfill work registration, job search, and other employment-related requirements. Unlike other welfare programs, the food stamp program has few *categorical* restrictions on eligibility, such as age, disability, or the presence of children in the household.

ADMINISTRATION AND FUNDING

The food stamp program operates in all 50 States, the District of Columbia, the Virgin Islands and Guam.[2] Through June 1982, it also operated in Puerto Rico. However, in July 1982, the program was legislatively terminated and replaced by a food aid program designed by the Commonwealth and federally funded at $825 million annually; this program grants cash benefits somewhat smaller than food stamp benefits to about 1.5 million persons.[3] The Federal Government, under the authority of the Food Stamp Act of 1977, establishes the rules that govern the program and, with certain minimal variations for Alaska, Hawaii and the territories, they are nationally uniform. States may opt to offer the program or not; but, if a State chooses to offer it, it must offer the program throughout the State.

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[1] Not all of a household's income is actually counted when determining its food stamp benefits. In effect, this means that the program assumes households can spend about 20-25 percent of their *gross* cash income on food.

[2] The Commonwealth of the Northern Mariana Islands operates a specially designed variant of the food stamp program, with benefit and eligibility rules roughly comparable to those in the 48 States and the District of Columbia, though simplified and somewhat more restrictive. In addition, certain controls are placed on the use of food stamp benefits in order to encourage the production and purchase of local commodities.

[3] The Commonwealth of Puerto Rico's nutritional assistance program provides cash benefits to low-income residents using eligibility tests that are more restrictive than those of the food stamp program. Benefit levels are about 10 percent lower than regular food stamp benefit amounts. However, 1982 amendments require that, beginning in October 1983, benefits be given out in a form other than cash.

At the Federal level, the program is administered by the U.S. Department of Agriculture's Food and Nutrition Service, which gives direction, through Federal regulations, to States and localities in their administrative tasks, is responsible for the printing and distribution of stamps to the States, and oversees participation by retail food stores and other food outlets. Other Federal involvement includes the Federal Reserve System, through which food stamps deposited in banks by food outlets are redeemed and converted to cash, and the Labor Department's Employment Service, which oversees State employment offices administering the Food Stamp program's work registration requirements.[4] At the State and local levels, it is administered, along with the AFDC program, by welfare departments which are responsible for determining eligibility and issuing benefits.[5]

The Food Stamp Act provides for 100 percent Federal funding of food stamp benefits.[6] Federal funds also pay Federal administrative costs and 50 percent of most State and local administrative costs.[7] State and local costs associated with computerization and fraud control activities are eligible for 75 percent Federal funding. Administrative costs not borne by the Federal Government are shared by State and localities according to State law.

TABLE 1.—FOOD STAMP EXPENDITURES

[In millions]

Fiscal year	Benefit expenditures (Federal)	Administrative costs		Total
		Federal	State/local [1]	
1979	$6,480	$465	$338	$7,283
1980	8,685	510	381	9,576
1981	10,633	686	509	11,828
1982 (estimated)	[2] 10,550	800	600	11,950

[1] Estimated.

[2] Includes $206.5 million for Puerto Rico's nutritional assistance block grant, which began operation in the last quarter of fiscal year 1982.

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[4] Under the terms of the 1982 amendments to the Food Stamp Act, Labor Department involvement may be ended, with States taking over ultimate responsibility for overseeing work registration and other employment-related requirements.

[5] With the Department of Agriculture's approval, Indian tribes may administer the food stamp program on reservations and Indian lands. In certain cases, social security district offices may provide intake services for applicants who are also supplemental security income (SSI) recipients.

[6] In Puerto Rico, Federal funds pay for 100 percent of the benefit costs of its nutritional assistance program and 50 percent of any Commonwealth administrative costs—up to a ceiling of $825 million annually.

[7] As an incentive for improved administration, a State qualifies for a matching rate of 60 percent if it reduces its rate of erroneous payments below 5 percent of benefits issued and has very low rates of improper denials and under-issuances. In addition, a State may lose a portion or all of its Federal share of administrative expenses if it does not meet certain legislatively established targets for reducing its rate of erroneous payments.

ELIGIBILITY

The food stamp program imposes three major tests for eligibility: income limits, liquid assets limitations, and work registration and job search requirements. With certain exceptions, all households, including those receiving cash welfare, must pass all food stamp eligibility requirements. However, some cash welfare recipients are exempt from food stamp work requirements or the food stamp assets test on the assumption they meet similar tests under their cash welfare program.[8]

The food stamp household

Generally, all individuals living together and purchasing food and preparing meals in common constitute a food stamp "household" and must apply together; the income and assets of all household members are aggregated in determining eligibility and benefits. However, individuals who live together may, in some cases, apply as separate "households" and have only their income and assets considered in determining their eligibility and benefits. The basic rule is that those who purchase food and prepare meals apart from the rest of their residential unit may apply separately. This rule is modified by: (1) a requirement that, except for elderly and disabled individuals,[9] parents, children, and siblings[10] apply together without regard to the "purchase and prepare" rule; (2) a requirement that individuals living in treatment programs for drug addicts or alcoholics, certain small group homes for the disabled, and shelters for battered women and children be treated as separate households without regard to the "purchase and prepare" rule; and (3) an exception providing that elderly individuals who cannot purchase food and prepare meals because of a substantial disability[11] may apply as separate households, as long as the remainder of their residential unit has gross monthly income below certain federally prescribed levels.[12]

Income

In determining eligibility for most households, the Food Stamp program looks at a household's monthly income.[13] Further, it considers both gross and countable monthly income.

Gross income includes all cash income of the household, except for energy assistance, a portion of any student aid, reimbursements for expenses, and certain other income required to be disregarded by other Federal laws.

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[8] The exemption of certain cash welfare recipients from the food stamp assets test, legislated in 1982, is scheduled for implementation in 1983.

[9] In the food stamp program, "elderly" is defined as age 60 or older. "Disabled" is defined as being in receipt of disability payments under social security or SSI programs. When 1982 legislation is implemented in 1983, the definition of "disabled" will be expanded to include certain severely disabled veterans and their disabled survivors.

[10] The requirement that non-aged, non-disabled siblings apply together, legislated in 1982, is scheduled for implementation in 1983.

[11] The definition of disability for this purpose is significantly more limited than the one generally used for food stamp purposes.

[12] The exception for elderly disabled individuals, legislated in 1982, is scheduled for implementation in 1983.

[13] Until October 1983, States are allowed to use either anticipated monthly income or a recent prior month's actual income. Beginning in October 1983, States will have to use a prior month's income. In some cases, annual income is converted to a monthly basis (e.g., where income for a whole year is actually received in a few months).

Countable income for households without an elderly or disabled member (see footnote 9) excludes from gross income the following: (1) an inflation indexed standard deduction now standing at $85 per month, regardless of household size;[14] (2) 18 percent of any earned income, in recognition of taxes and work expenses; (3) any work or training-related expenses for the care of a dependent; and (4) any shelter expenses, to the extent they exceed 50 percent of the countable income remaining after all other potential deductions and excluded expenses have been subtracted out. However, the total of excluded dependent-care and shelter expenses cannot exceed an inflation indexed ceiling now standing at $115 per month.[15]

Countable income for households having an elderly or disabled member (see footnote 9) excludes from gross income the following: (1) an inflation indexed standard deduction now standing at $85 per month, regardless of household size (see footnote 14); (2) 18 percent of any earned income; (3) any work or training-relating expenses for the care of a dependent, up to an inflation indexed ceiling now standing at $115 per month (see footnote 15); (4) out-of-pocket medical expenses of elderly or disabled household members, to the extent they exceed $35 per month; and (5) any shelter expenses, to the extent they exceed 50 percent of the countable income remaining after all other potential deductions and excluded expenses have been subtracted out (with no limit).

TABLE 2.—FOOD STAMP DEDUCTION LEVELS

[Through September 1983]

	48 States and D.C.	Alaska	Hawaii	Virgin Islands	Guam
Monthly standard deduction	$85	$145	$120	$75	$170
Monthly ceiling on dependent care/shelter expense deductions	115	200	165	85	140

In order to qualify for food stamps, all households must have countable monthly income (as calculated with regard to whether they have elderly or disabled members) below the Federal poverty levels (see table 3). These poverty levels are adjusted each July to reflect inflation as measured by the Consumer Price Index. In addition, households without an elderly or disabled member must have gross monthly income below 130 percent of the Federal poverty levels (see table 3), also adjusted for inflation each July.

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[14] Last indexed in January 1981. Future inflation indexing of the standard deduction is scheduled to occur in October 1983 and each October thereafter. Standard deduction amounts vary for Alaska, Hawaii, the Virgin Islands, and Guam; see table 2.

[15] Last indexed in January 1981. Future inflation indexing of this ceiling is scheduled to occur in October 1983 and each October thereafter. The ceiling varies for Alaska, Hawaii, the Virgin Islands, and Guam; see table 2.

The current limits on countable and gross income in the 48 contiguous States, the District of Columbia, the Virgin Islands, and Guam[16] are as follows, through June 1983:

TABLE 3.—COUNTABLE AND GROSS INCOME ELIGIBILITY LIMITS

[Through June 1983]

Household size	Countable income limits (per month)	Gross income limits (per month)
1 person	$390	$507
2 persons	519	674
3 persons	647	841
4 persons	775	1,008
5 persons	904	1,175
6 persons	1,032	1,342
7 persons	1,160	1,508
8 persons	1,289	1,675
Each additional member	+129	+167

Assets

Eligible households must also have liquid assets not exceeding $1,500, or $3,000 in the case of households of two or more with an elderly member. This liquid assets limit excludes the value of a residence, a portion of the value of motor vehicles, business assets, household belongings and certain other resources.[17]

Work requirements

In order to retain household eligibility, non-working, able-bodied adult household members must register for, seek, and accept suitable employment, if offered. Exceptions are provided for those caring for dependents (disabled or under age 6), subject to another program's work requirements, working at least 30 hours per week or earning the minimum-wage equivalent, the limited number of post-secondary students who are otherwise eligible, residents of drug addiction or alcoholic treatment programs, and those under age 18 or age 60 or older. In addition, if a locality opts to operate a "workfare" program, nonworking, able-bodied adults may also be required to "work-off" their household's food stamp benefit.

Other limitations

Categorical eligibility restrictions include: (1) a ban on eligibility for households in which the primary wage-earner has voluntarily quit a job without good cause, for 90 days from the date of the voluntary quit; (2) a ban on eligibility for households containing striking members, unless eligible prior to the strike; (3) a ban on eligibility for most non-working post-secondary students without families; (4) a ban on eligibility for illegally or temporarily resident aliens and rules limiting eligibility for legally present aliens with sponsors; (5) a ban on eligibility for persons living in institutional settings, except for those in special small group homes for the disabled, persons living in drug addiction or alcoholic treatment programs, and persons in temporary shelters for battered women and children; and (6) a ban on eligibility for SSI recipients in California and Wisconsin.[18]

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[16] Limits are higher in Alaska and Hawaii, by 25 and 15 percent, respectively.

[17] When 1982 legislation is implemented in 1983, households in which all members are recipients of aid to families with dependent children (AFDC) will be exempt from the food stamp assets test, if their income is below food stamp income standards, on the assumption that they have met a similar test in the AFDC program.

Under these eligibility rules, it is estimated that about 30 million persons are eligible for food stamps, nationwide, at any point during the year.

BENEFITS

Food stamp benefits are a function of household size, countable monthly income, the cost of purchasing food using the Department of Agriculture's "Thrifty Food Plan," and, in some cases, geographical location. Maximum monthly allotments now equal 99 percent of the cost of the Thrifty Food Plan,[19] adjusted for household size and, in some instances, geographical location,[20] and indexed periodically for changes in food prices.[21] A participating household's actual monthly allotment is determined by subtracting, from the maximum for that household's size and location, an amount equal to 30 percent of its countable monthly income—on the assumption that it can afford to spend that much of its own income on food purchases, with the Food Stamp program supplementing its purchasing power to the extent necessary to buy an adequate low-cost diet. In determining benefits, the same countable income calculated when judging eligibility is used.

Maximum monthly food stamp allotments (99 percent of the cost of the Department of Agriculture's "Thrifty Food Plan"), from which 30 percent of a household's monthly countable income (after subtraction of the various potential deductions) is taken to determine a household's actual benefit, are as follows:

TABLE 4.—MAXIMUM MONTHLY FOOD STAMP ALLOTMENTS

[Through September 1983]

Household size	48 States and D.C.	Alaska[1]	Hawaii	Virgin Islands	Guam
1 person	$75	$109	$106	$96	$109
2 persons	139	200	194	176	200

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[18] Cash SSI payments have been increased in these States to include an estimated value for food stamp benefits.

[19] The reduction from 100 percent of the cost of the Thrifty Food Plan is effective for benefits paid in fiscal years 1983-1985, and was adopted in 1982 legislation, P.L. 97-253.

[20] Maximum allotments vary for Alaska, Hawaii, the Virginia Islands, and Guam, because of food costs that differ substantially from those in the 48 contiguous States and the District of Columbia.

[21] Indexed annually, each October, to reflect the change in food prices since the last adjustment.

TABLE 4.—MAXIMUM MONTHLY FOOD STAMP ALLOTMENTS—Continued

[Through September 1983]

Household size	48 States and D.C.	Alaska[1]	Hawaii	Virgin Islands	Guam
3 persons	199	287	278	252	287
4 persons	253	365	353	320	365
5 persons	300	433	419	380	433
6 persons	360	520	503	456	520
7 persons	398	575	556	504	575
8 persons	455	657	636	576	657
Each additional person	+57	+82	+79	+72	+82

[1] As the result of 1981 legislation, separate maximum benefit levels will be established for urban and rural Alaska in 1983.

Households with no countable income receive the maximum monthly allotment for their household size, and households with some countable income receive the maximum allotment reduced by 30 percent of their countable, not gross, income. Monthly benefits are expected to average $40-$45 per person in fiscal year 1983.

Minimum monthly allotments vary by household size, type of income, and the extent to which deductions from gross income are claimed. In many cases, income eligibility limits are exceeded before the allotment value is reduced to zero. Table 5 can be interpreted as the amount of food stamps which a household receives with an income $1.00 below the income limitations.

TABLE 5.—MINIMUM MONTHLY FOOD STAMP ALLOTMENTS[1]

Household size	Earned income with—		Unearned income with—	
	Maximum deductions	Minimum deductions	Maximum deductions	Minimum deductions
1 person	$10	$10	$10	$10
2 persons	33	10	10	10
3 persons	52	17	6	4
4 persons	65	30	20	20
5 persons	71	36	29	29
6 persons	90	55	50	50

[1] For households without elderly or disabled members in the 48 contiguous States and the District of Columbia. Minimums vary for other households.

Food stamp benefits are issued monthly. The local welfare agency must either deny eligibility or make food stamps available within 30 days of application and must provide food stamps without interruption if an eligible household reapplies in a timely manner. Households in immediate need because of little or no income and very limited cash assets are required to be treated on an expedited (5-day service) basis. Benefits are issued in three ways: (1) the welfare office may issue the eligible household an "Authorization to Participate" (ATP) document which it then takes to a bank, post office, or other issuing point to pick up its food stamp allotment; (2) the household may be asked to come into the welfare office to pick up its food stamp allotment; or (3) the welfare agency may, in some cases, mail the household its monthly allotment. In some pilot areas, benefits may be issued in cash to elderly or disabled households, or in standardized amounts to other (e.g., AFDC) cash welfare recipients.

USE OF FOOD STAMPS

Typically, participating households use their allotment in grocery stores that have been approved to accept food stamps. To be approved, a store must demonstrate that 50 percent of its food sales are staple foods. In addition, wholesalers may be approved to accept food stamps from retailers in certain instances, and meal service programs of various types may be approved to accept food stamps for meals. Once they have accepted food stamps, retailers, wholesalers, and approved meal service programs deposit them in banks, where they convert immediately to cash and are eventually redeemed, through the Federal Reserve System, by the U.S. Treasury.

Food stamps are issued in booklets and in several denominations, the lowest of which is $1. When change is necessary, all change of $1 or more must be in food stamps; change of 99 cents or less is in cash.

INTERACTION WITH CASH ASSISTANCE PROGRAMS

The food stamp program is intertwined with cash assistance programs in two ways: it is administratively linked to cash assistance at the State and local level and its recipient population is, by and large, made up of cash aid recipients.

At the State and local level, the food stamp program is, for most recipients, administered by the same welfare offices and personnel that administer, under different rules, cash assistance such as AFDC and General Assistance. For most SSI recipients, the Social Security Administration's offices provide intake services for the Food Stamp program. As a result, there is a continuing tension between the different sets of rules used by welfare and social security offices to determine eligibility and benefits.

Less than 20 percent of food stamp households rely solely on nongovernmental sources for their income, although nearly 40 percent have some income from these sources: earnings, private retirement income, alimony, and dividends and interest. The AFDC program contributes to the income of 34 percent of food stamp households, and for almost three-fourths of these households AFDC is their only source of income. Nearly 26 percent of food stamp households receive social security disability or retirement income, and about one-third of them rely entirely on that income. SSI payments are made to 20 percent of food stamp households, one-fourth of whom have no other income. State and local general assistance is received by 6 percent of food stamp households. And, veterans' benefits are made to about 3 percent of food stamp households. Thus, for most persons participating in the food stamp program, food aid represents a second or third form of government payment.

TABLE 6.—ESTIMATED FEDERAL FOOD STAMP SPENDING: FISCAL YEAR 1982 [1]

[By State, in millions]

State	Benefits	Federal share of State administrative costs
Alabama	$279	$16
Alaska	25	2
Arizona	127	12
Arkansas	133	7
California	586	52
Colorado	82	4
Connecticut	65	4
Delaware	26	1
District of Columbia	45	4
Florida	449	19
Georgia	284	17
Guam	16	([3])
Hawaii	67	2
Idaho	37	2
Illinois	548	18
Indiana	213	7
Iowa	83	5
Kansas	56	3
Kentucky	268	13
Louisiana	242	18
Maine	65	2
Maryland	163	12
Massachusetts	188	9
Michigan	449	20
Minnesota	85	6
Mississippi	225	8
Missouri	185	9
Montana	23	1
Nebraska	32	2
Nevada	19	2
New Hampshire	24	2
New Jersey	271	16
New Mexico	82	6
New York	824	59
North Carolina	256	14

TABLE 6.—ESTIMATED FEDERAL FOOD STAMP SPENDING: FISCAL YEAR 1982 [1]—Continued

[By State, in millions]

State	Benefits	Federal share of State administrative costs
North Dakota	12	1
Ohio	533	21
Oklahoma	75	8
Oregon	143	7
Pennsylvania	488	24
Puerto Rico [2]	670	21
Rhode Island	36	2
South Carolina	201	11
South Dakota	23	2
Tennessee	313	16
Texas	555	39
Utah	32	2
Vermont	21	1
Virginia	195	9
Virgin Islands	20	1
Washington	137	7
West Virginia	113	4
Wisconsin	111	3
Wyoming	7	1
Northern Marianas	1	([3])
Total	10,407	555

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[1] Excludes approximately $150 million in Federal administrative expenses not distributed by State, an estimated $8 million representing the Federal share of State and local anti-fraud expenses, and $206.5 million granted to Puerto Rico to operate a special nutritional assistance program replacing food stamps beginning in July 1982.

[2] Through June 1982. Beginning in July 1982, food stamps in Puerto Rico were replaced with a nutritional assistance block grant.

[3] Less than $500,000.

Source: U.S. Department of Agriculture, Food and Nutrition Service.

Section 9. Earned Income Tax Credit

The earned income tax credit (EITC), which was added to the Internal Revenue Code in 1975, is intended to give a cash income supplement to working parents with relatively low earnings. The earned income tax credit is a refundable credit. Thus, for tax filers whose income is too low to owe income taxes, or whose tax liability is smaller than their credit, the Internal Revenue Service makes a direct payment of the credit.

ELIGIBILITY

The credit is available to married couples who are entitled to a dependent exemption for a child or unmarried individuals who maintain a household for a child. Adjusted gross income and earned income must be less than $10,000.

To receive a credit, a person must file an income tax return at the end of the tax year and, if desired, may file an eligibility certificate with his employer in order to receive advance payments of the credit with his paycheck. To be eligible for EITC, married couples must file a joint income tax return.

BENEFITS

The EITC equals 10 percent of the first $5,000 of earnings, including net earnings from self-employment, and thus may not exceed $500 per family. The size of the credit is unrelated to the number of a worker's dependents. Between earnings of $5,000 and $6,000, the maximum credit of $500 is received. For each dollar of adjusted gross income (or, if higher, earned income) above $6,000 the credit is reduced by 12.5 cents. As a result, it ends when adjusted gross income reaches $10,000. Table 1 below shows the amount of the earned tax credit by amount of earned income.

TABLE 1.—AMOUNT OF EITC BY EARNED INCOME LEVEL

Amount of wages or self-employment income	Earned income tax credit
0	0
$1,000	$100
$2,000	200
$3,000	300
$4,000	400
$5,000	500
$6,000	500
$7,000	375
$8,000	250

TABLE 1.—AMOUNT OF EITC BY EARNED INCOME LEVEL—Continued

Amount of wages or self-employment income	Earned income tax credit
$9,000	125
$10,000	0

INTERACTION WITH AFDC AND FOOD STAMPS

Under current AFDC law, the amount of the EITC is treated as earned income and is imputed to the family even though it may not actually be received from the employer as an advance payment. Based upon some preliminary data compiled by the General Accounting Office in the States of New York, New Jersey and New Hampshire, approximately 1 percent of the total amount of EITC is received on an advance basis.

The treatment of EITC for purposes of AFDC and food stamp benefit computations has varied since inception of the credit. When enacted in 1975, EITC was not considered income in determining AFDC and food stamp benefits, and the credit could not be received on an advance basis. Beginning in January 1979 and prior to October 1981, EITC was treated as earned income when actually received. Receipt of the credit on an advance basis was authorized in July 1979.

Under current law, in determining earned income for AFDC, receipt of EITC on an advance basis must be imputed to a working AFDC recipient eligible for the credit regardless of whether he or she has applied for or receives advance payment (i.e., if the individual does not receive advance EITC payments, an amount equal to what he or she could receive as advance payment is counted as earned income).

The interaction between EITC and the AFDC program is extremely complicated. The Internal Revenue Service has ruled that those who use AFDC funds to pay part of the cost of maintaining a home for a child may not count these welfare benefits as their own contributions for purposes of determining whether the child is a dependent. Thus, an AFDC parent is ineligible for the credit if the AFDC grant equals or exceeds half the cost of keeping up the home in the tax year.

To describe this interaction more fully, let us take a simple example where a mother with one child is working at a full-time job at the minimum wage and continues to receive AFDC. At the beginning of the year, she is earning $581 per month but does not receive any EITC on an advance basis from her employer. The employer is withholding $10 per month of Federal income tax. The caseworker uses IRS rules to estimate that the mother will be eligible for the EITC. (Actual eligibility cannot be determined until after the end of the taxable year.) Using IRS tax tables, the caseworker imputes $31 of EITC per month as earned income and adjusts the AFDC and benefit amount appropriately. In July, the mother loses her job and begins to collect the full AFDC benefit amount.

At the end of the year, the mother receives an IRS check for $408. It includes $348 designated as EITC (10 percent of her total earnings for the year), and $60 as a refund of withheld taxes. The caseworker must reconcile any differences between the amount of the EITC assumed and actually received by the mother. State agency records show that $186 ($31 for 6 months) was assumed as EITC. This amount is subtracted from the actual amount of the credit received, $348, leaving $162 as the amount of the EITC refund not yet counted. This amount must be treated as earned income in the month of receipt, and the earnings disregards must be applied. Assuming in this case that the mother is not employed in that month, the caseworker simply subtracts $75 from $162, leaving $87, which is considered as a lump sum payment to be counted in determining the family's AFDC benefit for that month. Any excess of EITC over the grant would be carried forward and applied to the family's needs in the next month's benefit determination. (If the mother is employed in the month of receipt, she will be eligible for a disregard of child care costs—up to $160 a month per child—and may also receive a disregard of $30 and one-third of additional earnings, but only if she has not already used up her 4 months of eligibility for that disregard.)

Under Federal rules, the State has the option of treating a tax refund as either unearned income in the month of receipt or as a resource. If the refund ($60 in this case) is treated as unearned income, it would reduce the amount of the AFDC benefit on a dollar-for-dollar basis.

Food stamp rules do not have a similar requirement. In determining the food stamp benefit, the EITC would be counted as earned income for the month of receipt, if received on an advance basis or as an asset if received in a lump sum at the end of the year.

DATA

In fiscal year 1981, earned income tax credits (generally earned in 1980) totaled $1.976 billion, of which about $1.326 billion represented Treasury payments in excess of current year tax liability and $.650 billion offset tax liability. Some 6.9 million families received the credit, which averaged $286 per family. Of total recipients; almost 5 million received direct EITC payments in the form of U.S. Treasury checks. Table 2 below describes the total amount of earned income credits received for each of the calendar years since the inception of the program, the number of recipient families, the amount of the credits received as Treasury checks and the average amount of the credit received per family.

TABLE 2.—TOTAL AMOUNT OF EITC, NUMBER OF FAMILIES RECEIVING THE CREDIT AND THE BUDGET OUTLAYS FOR CALENDAR YEARS 1975 THROUGH 1984

Year to which credit applies	Total amount of EITC (in millions)	Number of families who received EITC (in thousands)	"Refunded" portion of credit [1] (in millions)	Average EITC per family
1975	$1,250	6,215	$900	$201
1976	1,295	6,473	890	200
1977	1,127	5,627	880	200
1978	1,048	5,192	801	202
1979	2,052	7,135	1,395	288
1980	1,986	6,954	1,370	286
1981 [2]	1,908	6,703	1,278	285
1982 [3]	1,513	NA	1,197	NA
1983 [3]	1,434	NA	1,119	NA
1984 [3]	1,320	NA	1,032	NA

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[1] This is the portion of the credit that exceeds tax liability, and it is treated as a budget outlay. The rest of the credit is classified as a "tax expenditure." All these credits were paid in the following year until 1979, when advance payments of the credit were permitted, by addition to the worker's paycheck.

[2] Preliminary.

[3] Projections.

NA—Not available.

Section 10. SSI Program Description

The supplemental security income (SSI) program is a federally administered income assistance program under title XVI of the Social Security Act. Established by the 1972 amendments to the act (Public Law 92-603) and begun in 1974, SSI provides monthly cash payments in accordance with uniform, nationwide eligibility requirements to needy aged, blind and disabled persons. The SSI program replaced the former Federal grants to the States for old-age assistance, aid to the blind and aid to the permanently disabled. These grants continue in Guam, Puerto Rico and the Virgin Islands. SSI, however, operates in the Northern Mariana Islands.

BASIC ELIGIBILITY

To qualify for SSI payments, a person must satisfy the program criteria for age, blindness or disability. The aged are defined as persons 65 years and older. The blind are individuals with 20/200 vision or less with the use of a correcting lens in the person's better eye, or those with tunnel vision of 20 degrees or less. Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. Additionally, a child under age 18 who has an impairment of comparable severity with that of an adult may be considered disabled.

As explained later, disabled SSI recipients who lose eligibility for regular SSI benefits and for medicaid because their earnings have exceeded the "substantial gainful activity" earnings test, but who continue to be medically disabled, can continue to receive cash assistance and medicaid under certain conditions. This provision expires January 1, 1984.

FEDERAL BENEFIT LEVELS

The amount of monthly Federal SSI benefits is determined by the recipient's countable income, living arrangements and marital status. The current maximum monthly SSI benefit is $284.00 for a single person and $426.00 for married couples. Benefits are indexed to the Consumer Price Index (CPI). Cost-of-living increases are provided annually in July if the CPI for the first quarter of the calendar year increases by at least 3 percent over the first quarter of the previous year. Benefits are increased by the same percentage as social security benefits. This occurs through a reference in the SSI law to the social security cost-of-living provision. For example, the current payment level of $284.00 per individual, which became effective in July 1982, represents an increase of 7.4 percent (or $19.30 monthly) from the previous July 1981 level of $264.70.

When an individual enters a hospital or other medical institution in which a major part of a bill is paid by the medicaid program, his monthly SSI benefit standard is reduced to $25, beginning with the first full calendar month the individual is in such institution. This amount is intended to take care of small personal expenses, with the cost of maintenance and medical care being provided through other programs. The annual cost-of-living increase for SSI does not apply to the $25 benefit standard and it has not been increased since SSI began in 1974. Approximately 218,000 SSI recipients received benefits in June 1982 on the basis of this benefit standard. For those individuals whose income from non-SSI sources exceeds the $25 benefit standard (including those who were receiving some SSI because their social security benefits are less than the SSI benefit standard), medicaid regulations require States to allow such individuals (and other non-SSI medicaid eligibles) to retain $25 a month of their income as a "personal needs allowance" when their income is applied, along with medicaid reimbursement, to pay for their institutional medical care.

If an SSI applicant or recipient is "living in the household of another and receiving support and maintenance in-kind," the value of such in-kind assistance is presumed to equal one-third of the regular Federal SSI benefit standard, and the Federal SSI benefit standard for such an individual is reduced accordingly. "Living in the household of another and receiving support and maintenance in-kind" is defined by regulations to include an SSI applicant or recipient who is not paying his pro rata share of the household's expenses.

In June 1982, 5.5 percent or 218,000 SSI recipients had their benefits determined on the basis of this "one-third reduction" benefit standard—two-thirds of whom were disabled.

An individual who is a resident or an inmate of a public institution is ineligible for SSI unless the institution is a facility approved for medicaid payments, is receiving such payments on behalf of the person, and these payments represent more than 50 percent of the cost of services provided by the facility to the person. SSI payments may be made to persons in publicly operated community residences serving no more than 16 persons. Payments to an individual transferred from a former State program may be increased by $142.50 monthly to take into account an "essential person" living in the household. An essential person is generally an ineligible spouse or relative whose needs were considered in determining the requirements of an eligible individual under the former State program but who is not eligible for SSI. The following table shows the Federal SSI benefit levels:

TABLE 1.—FEDERAL SSI BENEFIT STANDARDS

[Includes a projected cost-of-living adjustment of 4.9 percent on July 1, 1983]

Eligibility status	Benefit level		
	July 1981 to June 1982	July 1982 to June 1983 [1]	Estimate, July 1983
Individual:			
Living in own household	$264.70	$284.30	$298.00
Living in another's household	176.47	189.54	198.67
Couple:			
Living in own household	397.00	426.40	447.00
Living in another's household	264.67	284.30	298.00
Individual receiving institutional care in medicaid facility	25.00	25.00	25.00
Essential person	132.60	142.50	149.00

[1] Effective on October 1, 1982, the law required rounding down of these amounts to the next lower dollar. Thus, the payment level is $284 for an individual and $426 for a couple (in own household).

Source: Office of Research and Statistics, Social Security Administration.

INCOME ELIGIBILITY

Under the program, $20 of monthly income from virtually any source (such as social security benefits, but *not* need-tested income such as veterans' pensions) is disregarded. In addition, the first $65 of monthly earned income plus one-half of remaining earnings are disregarded. For the blind and disabled only, the cost of an approved plan to achieve self-support is also disregarded and reasonable work expenses associated with the disability are also disregarded. Income received in sheltered workshops and work activity centers is considered earned income and qualifies for earned income disregards.

The value of in-kind assistance is counted as income unless such in-kind assistance is specifically disregarded by statute. Generally, in-kind assistance provided by or under the auspices of a federally assisted program, or by a State or local government (for example, nutrition, food stamps, housing or social services), will not be counted as income. However, if an SSI applicant or recipient is living in the household of another and receiving in-kind support and maintenance from him, the SSI benefit standard for such an individual will be reduced by one-third of the Federal SSI benefit standard.

As countable income (total income minus disregarded income) increases, a recipient's SSI payment level decreases. Eligibility for SSI ends when countable income equals the Federal benefit plus maximum State supplemental payment levels.

TABLE 2.—FEDERAL INCOME ELIGIBILITY CEILINGS UNDER SSI, JULY 1982 TO JUNE 1983

	Receiving only social security or other income other than wages		Receiving only wage income	
	Monthly	Annually	Monthly	Annually
Single	$304.30	$3,651.60	$653.60	$7,843.20
Couple	446.40	5,356.80	937.80	11,253,60

Source: Office of Research Statistics, Social Security Administration.

Resources

SSI eligibility is restricted to qualified persons who have assets of less than $1,500, or less than $2,250 in the case of married couples. In determining assets, a number of items are not included, such as the individual's home; life insurance policies with a total face value of $1,500 or less; and, within reasonable limits set by the Secretary of Health and Human Services, household goods, personal effects and an automobile. Regulations place a limit of $2,000 in equity value on excluded household goods and personal effects and exclude the first $4,500 in current market value of an auto (100 percent of the auto's value if it is used for medical treatment or employment or has been modified for use by a handicapped person). Assets, tools and other property essential to self-support of the blind or the disabled are also excluded.

In 1982, a provision was added to also exclude for being counted as a resource the value of burial plots. In addition, to provide SSI applicants and recipients an alternative to the life insurance exclusion previously described, the 1982 amendment allows for the exclusion of up to $1,500 of separately identifiable funds set aside for burial expenses.

Deeming of Income and Resources

The income of an ineligible spouse who lives with an adult SSI applicant or recipient is considered in determining the eligibility and amount of payment to the individual. The income of the parents of a disabled child under the age of 18 is also considered in determining the eligibility and payment for the child. In determining the amount of the income of the ineligible spouse or parent to be deemed to the SSI applicant or recipient the needs of the spouse or parent and other children in the household are taken into account. In addition, the SSI earned income disregards are applied in determining the amount of income to be deemed to the SSI applicant or recipient. For example, if the countable income of an ineligible spouse exceeds the difference between the SSI benefit standard for an individual and a couple in that State (including State supplementation) the excess is deemed available to the SSI applicant or recipient.

For example, in a State with no State supplementation the deeming procedure would work as follows for an ineligible spouse earning $400 per month living with an eligible individual with $180 of social security benefits:

Earned income of ineligible individual	$400.00
Less $65	−65.00
Less one-half of remaining earnings ($335)	−167.50
Countable income	167.50
Less difference between SSI payment standard for an individual and couple	−142.15
Amount deemed to eligible individual	25.35

Thus, the benefit for the eligible individual will be $98.95 [$284.30−($180.00 less $20 exclusion)−$25.35]. Without deeming, the individual would have received $124.30 [$284.30−($180.00 less $20 exclusion)]. The $20 exclusion can only be used once and is first applied to unearned income.

Resources of the spouse or parent may also be deemed to a recipient when they are in excess of the amount that would be excluded if the spouse or parent were applying for SSI payments. Parental resources are not deemed to a child who has attained age 18.

In determining the eligibility of aliens applying for SSI, the income and resources of their sponsors are considered. After allowances for the needs of the sponsors and his family, the remainder is deemed available for the support of the alien applicant for a 3-year period after entry into the United States. This provision does not apply to those who become blind or disabled after entry, to refugees, and to persons granted political asylum.

This process of deeming involved 60,000 recipients in December 1980. Two-thirds of those with deemed income were adults, the majority of whom were disabled. The average monthly amount of deemed income was $125.73—$125.29 for adults and $126.66 for children.

STATE SUPPLEMENTATION

State supplementary payments are required by law to maintain income levels of former public assistance recipients transferred to the Federal SSI program. States have the option to choose to supplement the Federal SSI benefit standard for both former public assistance recipients and other SSI recipients. At the present time, all but six States provide some form of optional State supplementation. Those six States are: Kansas, Mississippi, Ohio, Tennessee, Texas, and West Virginia. States may elect to administer their supplementary payments themselves or may contract with the Social Security Administration for Federal administration. Seventeen States have contracted the Social Security Administration to administer the State optional supplementation program. Since the SSI program began in 1974, six States have shifted from Federal to State administration of their optional State supplementation program.

Approximately 40 percent of the SSI recipients receive a State supplement. For those SSI recipients, other than those receiving a State supplement because they are living in some type of group living arrangement, the amount of State supplement ranged from $10 a month to over $250 a month for an individual. At present, 26

States and the District of Columbia supplement the Federal standard for individuals living independently.

Table 13 shows the total amount of federally administered State supplementation by State. Table 14 shows the number of recipients and the amount of State administered State supplementation by State.

Table 15 for individuals living independently and table 16 for couples illustrate the maximum potential payment from Federal SSI, State supplements and food stamps for individuals, with no income, by State. These tables assume that the elderly individual or couple receive a shelter deduction of $115 in the food stamp program. Approximately 65 percent of the elderly in the food stamp program take a shelter deduction, and it is estimated that approximately 16 percent of the elderly will be allowed a deduction of $115 or more. For those individuals or couples with no shelter deduction, the monthly food stamp and combined benefit amount would be reduced by $34.50. There is no ceiling on the excess shelter deduction for aged or disabled persons.

Interaction With Other Programs (Medicaid and Food Stamps)

In most States, a person receiving a Federal or State SSI payment is automatically eligible for medicaid.

If a State's medicaid eligibility standards in effect in 1972 were more restrictive than the current SSI eligibility standards, the State may maintain its more restrictive requirements. (However, medicaid applicants in such States may deduct their medical expenses from their countable income for purposes of eligibility determinations.)

In the following States, SSI recipients are not immediately eligible for medicaid:

Connecticut
Hawaii
Illinois
Indiana
Minnesota
Mississippi
Missouri
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Ohio
Oklahoma
Utah
Virginia

Except in California and Wisconsin, SSI beneficiaries may qualify for food stamps if they meet the food stamp income and assets requirements. In these two States, the food stamp program is "cashed out"—in other words, these States have chosen to increase State SSI supplemental payments in lieu of food stamps.

The interaction with the food stamp program has important financial implications for a State which desires to increase the income of its SSI recipients by $1.00. Because food stamps are reduced by $.30 for each additional $1.00 of SSI income including State supplements, the State must expend $1.43 to obtain an effective $1.00 increase in SSI recipients' total income.

Comparison of SSI Payment Levels to Poverty Thresholds

Table 3 compares the Federal SSI benefit for a single individual to the poverty threshold (census). From 1975 to 1982, this has remained around 71 percent. Both the poverty threshold and the benefit level are indexed to the Consumer Price Index. The percentage varies slightly from year to year as the threshold is indexed for price changes which actually took place in a given year while the benefit is indexed to an average of price changes during the preceding 2 years.

For individuals receiving unearned income such as social security the amount of benefits is $240 per year more than the SSI benefit. Since the $240 is not indexed, the combined benefit has not kept pace with inflation.

Table 4 presents the same information for a couple. The SSI benefit for a couple is approximately 85 percent of the poverty threshold. The combined SSI plus social security benefit (or other unearned income) has decreased from 92 percent to 89 percent of the poverty threshold from 1975 to 1982.

TABLE 3.—COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE INDIVIDUALS RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY AND FOOD STAMPS FOR SELECTED YEARS FROM 1975 TO 1982

	1975	1977	1979	1981	1982 (projected)
Poverty threshold	2,572	2,895	3,472	4,360	4,630
Federal SSI benefits:					
Dollars per year	1,822	2,074	2,386	3,016	3,294
Percent of poverty	70.8	71.6	68.7	69.2	71.1
Federal SSI and social security:					
Dollars per year	2,062	2,314	2,626	3,256	3,534
Percent of poverty	80.2	79.9	75.6	74.7	76.3
Federal SSI, social security, and food stamps:					
Dollars per year	2,350	2,614	2,986	3,664	3,906
Percent of poverty	91.4	90.3	86.0	84.0	84.4

TABLE 4.—COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE COUPLES RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY AND FOOD STAMPS FOR SELECTED YEARS FROM 1975 TO 1982

	1975	1977	1979	1981	1982 (projected)
Poverty threshold	3,232	3,637	4,364	5,500	5,840
Federal SSI benefits:					
Dollars per year	2,734	3,111	3,578	4,524	4,940
Percent of poverty	84.6	85.5	82.0	82.3	84.6
Federal SSI and social security:					
Dollars per year	2,974	3,351	3,818	4,764	5,180
Percent of poverty	92.0	92.1	87.5	86.6	88.7
Federal SSI, social security, and food stamps:					
Dollars per year	3,430	3,999	4,406	5,412	5,792

TABLE 4.—COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE COUPLES RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY AND FOOD STAMPS FOR SELECTED YEARS FROM 1975 TO 1982—Continued

	1975	1977	1979	1981	1982 (projected)
Percent of poverty	106.1	110.0	101.0	98.4	99.2

Note.—For 1975 and 1977, average deductions among all elderly households are assumed. For later years, the applicable standard deduction plus average shelter and medical deductions among all elderly households is assumed.

FINANCING

Federal SSI payments are financed from general funds of the Treasury. Federal benefit payments for 1982 were $6.805 billion; estimated payments for 1983 are $7.893 billion; and payments of $6.836 billion are projected for fiscal year 1984. Table 5 describes direct program cost by activities for 1982 and estimated cost for 1983 and 1984. The reason the amount of Federal SSI benefits for fiscal year 1983 is over $1.1 billion more than either 1982 or 1984 is that 13 payments, rather than the normal 12, will occur in fiscal year 1983.

TABLE 5.—SSI FEDERAL PROGRAM COST BY ACTIVITIES

[In millions of dollars]

Program by activities	1982 (actual)	1983 (estimate)	1984 (estimate)
Direct program:			
1. Federal benefit payments	6,785	7,878	6,828
2. Federal hold-harmless payments	20	15	8
3. Beneficiary services	3	15	5
4. Payments to the trust funds for administrative costs	780	864	864
5. Federal fiscal liability	16	27	30
Total Federal direct program	7,604	8,799	[1] 7,735
6. State financed State supplements	1,812	2,010	1,505

[1] May not add due to rounding.

Source: Office of Research and Statistics, Social Security Administration.

In 1982, State-financed supplements to the basic Federal benefit level totaled $1.812 billion and are estimated to be $2.010 billion and $1.505 billion respectively, for fiscal years 1983 and 1984.

NUMBER OF RECIPIENTS AND AVERAGE PAYMENTS

The average number of recipients receiving federally administered payments for 1981 and 1982 and estimates for 1983 and 1984 are shown in table 6. Overall, the number of recipients has declined and this trend is expected to continue in 1983 and 1984.

TABLE 6.—AVERAGE NUMBER OF RECIPIENTS RECEIVING SSI PAYMENTS, 1980–82

[In thousands]

	1981	1982	1983 (estimate)	1984 (estimate)
Aged	1,454	1,362	1,168	1,114
Blind and disabled [1]	2,157	2,144	2,151	2,148
Total, Federal	3,612	3,506	3,319	3,262
State supplementary payment recipients only	426	401	395	394
Total, SSI	4,038	3,907	3,714	3,656

[1] Note that approximately 18 percent also are aged.

Source: Office of Research and Statistics, Social Security Administration.

Table 7 illustrates a similar pattern over the period from December 1975 to June 1982. The 65-and-over recipient population has declined by 16.9 percent while the disabled population under age 65 has increased by 4.0 percent, leaving a downward trend (8.3 percent) in the number of recipients.

TABLE 7.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS IN DECEMBER 1975 AND JUNE 1982 BY REASON FOR ELIGIBILITY AND AGE, NUMBER AND PERCENTAGE CHANGE DURING THE 6½-YR. PERIOD

[In thousands]

Reason for eligibility and age	December 1975	June 1982	Change between 1975 and 1982	
			Number	Percent
Reason for eligibility:				
Aged	2,307	1,626	−681	−29.5
Blind	74	78	4	5.4
Under 18	3	6	3	100.0
18 to 21	4	4		
22 to 64	46	44	−2	−4.3
65 and over	22	24	2	9.1
Disabled	1,933	2,253	320	16.6
Under 18	104	188	84	80.8
18 to 21	90	117	27	30.0
22 to 64	1,559	1,514	−45	−2.9
65 and over	179	434	255	142.5
Age:				
Under 18	107	194	87	81.3
18 to 21	93	121	28	30.1
22 to 64	1,605	1,558	−47	−2.9

TABLE 7.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS IN DECEMBER 1975 AND JUNE 1982 BY REASON FOR ELIGIBILITY AND AGE, NUMBER AND PERCENTAGE CHANGE DURING THE 6½-YR. PERIOD—Continued

[In thousands]

Reason for eligibility and age	December 1975	June 1982	Change between 1975 and 1982	
			Number	Percent
65 and over	2,508	2,084	−424	−16.9
Total	4,314	3,957	−357	−8.3

Source: Office of Research and Statistics, Social Security Administration.

In October 1982, monthly payments to aged individuals averaged $145.06, and payments to disabled individuals averaged $226.64. The average Federal SSI payment was $127.15 and $201.78 for aged and disabled individuals respectively.

TABLE 8.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND AVERAGE MONTHY AMOUNT, BY REASON FOR ELIGIBILITY AND TYPE OF PAYMENT, OCTOBER 1982

Type of payment	Total	Aged	Blind	Disabled
	Number of persons			
Total	3,890,666	1,576,642	[1] 77,605	[2] 2,236,419
Federal SSI payments[3]	3,501,811	1,354,772	68,788	2,078,251
Federal SSI payments only	2,329,834	972,822	42,006	1,315,006
Federal SSI and State supplementation	1,171,977	381,950	26,782	763,245
State supplementation [4]	1,560,832	603,820	35,599	921,413
State supplementation only	388,855	221,870	8,817	158,168
	Average monthly amount			
Total	$193.85	$145.06	$239.98	$226.64
Federal SSI payments	172.91	127.15	201.93	201.78
State supplementation	95.27	93.49	132.97	94.98

[1] Includes approximately 24,000 persons aged 65 and over.

[2] Includes approximately 429,000 persons aged 65 and over.

[3] Includes persons with Federal SSI payments only, and Federal SSI and federally administered State supplementation, data partly estimated.

[4] Includes persons with federally administered State supplementation only, and Federal SSI and federally administered State supplementation, data partly estimated.

Source: Office of Research and Statistics, SSA.

CHARACTERISTICS OF RECIPIENTS

Eighty-nine percent of all SSI recipients lived in their own households in December 1980, including 91 percent of aged, 90 percent of blind and 88 percent of disabled persons (Table 9). A greater proportion of disabled persons lived in another's household (6 percent), or were in Medicaid institutions (6 percent).

TABLE 9.—NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND LIVING ARRANGEMENTS, DECEMBER 1980

Living arrangement	Total	Reason for eligibility		
		Aged	Blind	Disabled
Total number	3,961,932	1,632,015	78,095	2,251,822
Total percent	100.0	100.0	100.0	100.0
Own household [1]	88.9	90.7	89.5	87.5
Another's household	5.5	4.4	6.3	6.3
Institutional care covered by medicaid	5.5	4.8	4.2	6.0

[1] "Own household" applies to adults who are sole or joint heads of households, blind and disabled children in their parent's household, and persons in domiciliary-care facilities.

Source: Office of Research and Statistics, Social Security Administration.

Receipt of income

About two-thirds of SSI recipients were also receiving other income in May 1982, some from more than one source (Table 10). Social security benefits represented the largest single income source. Over half of all SSI recipients had OASDI benefits, including 70 percent of aged, 38 percent of blind, and 36 percent of disabled recipients.

TABLE 10.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND PERCENT IN CONCURRENT RECEIPT OF INCOME AND AVERAGE MONTHLY AMOUNT, BY REASON FOR ELIGIBILITY AND TYPE OF INCOME, MAY 1982

Type of income	Total	Reason for eligibility		
		Aged	Blind	Disabled
Total number	3,961,932	1,632,615	78,095	2,251,822
	Percent with other income			
Social security benefits	50.1	70.1	37.6	36.1
Other unearned income	10.4	12.6	11.4	8.8
Earned income	3.2	1.6	6.8	4.3
	Average monthly amount			
Social security benefits	$233	$236	$246	$228
Other unearned income	80	71	81	90
Earned income	108	106	404	93

Source: Office of Research and Statistics, Social Security Administration.

Unearned income other than social security was reported by 10 percent of the SSI population, the majority of whom were getting either support and maintenance in kind or veteran's benefits (Table 11). Three percent of the recipient caseload had earned income. Blind recipients were more likely to have earned income (7 percent).

For those individuals with social security benefits, the average was $233 per month. Similarly, for those with other unearned income, the average was $80 per month and for the 3.2 percent with earned income, the average was $108 per month.

TABLE 11.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS AND UNEARNED INCOME (OTHER THAN SOCIAL SECURITY) AND AVERAGE MONTHLY UNEARNED INCOME BY TYPE OF INCOME, MAY 1982

Type of income	Number [1]	Average [2]
Total	413,324	$80
Veterans' benefits	90,630	120
Railroad retirement	5,966	230
Black lung benefits	1,057	157
Employment pensions	27,244	91
Workmen's compensation	1,497	161
Support and maintenance in kind	148,632	64
Support from absent parents	12,252	91
Asset income	66,312	15
Assistance based on need	9,931	88
Other	49,803	109

[1] With unearned income other than social security benefits.

[2] Monthly amount of unearned income.

Source: Office of Research and Statistics, Social Security Administration.

Race and sex

Sixty-four percent of the SSI caseload in December 1980 was white and 28 percent black. Persons of other races made up 3 percent, while race was not reported for the remaining 5 percent.

Women accounted for two-thirds of the SSI caseload, including 73 percent of aged recipients, 60 percent of those disabled, and 57 percent of the blind. These figures are consistent with data showing women to have a higher life expectancy—77.2 years in 1978, compared to 69.5 years for men,[1] but lower income levels—$6,772 compared to $15,350 for men.[2]

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[1] U.S. Bureau of the Census, Statistical Abstract of the United States: 1980 (101st edition), Washington, D.C., 1980, table 106, p. 72.

[2] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 127, "Money Income and Poverty Status of Families and Persons in the United States: 1980" (Advance Data from the March 1981 Current Population Survey), U.S. Government Printing Office, Washington, D.C., 1981, table 14, p. 24.

SPECIAL SSI BENEFITS, CONTINUED MEDICAID SERVICES, AND RELATED PROVISIONS FOR THE WORKING DISABLED

The Disability Amendments of 1980 (Public Law 96-265) amended the SSI law to include provisions intended to lessen the work disincentives for SSI disabled recipients who risked the loss of SSI and medicaid when they increased their work effort and earnings in spite of the continuation of their disability.

Under the SSI and disability insurance criteria for determining disability in the Social Security Act, the Secretary of Health and Human Services is required to prescribe the criteria for determining when employment or earnings from employment demonstrate an individuals ability to engage in substantial gainful activity (SGA), and is, therefore, no longer disabled. Current regulations have established that average earnings of over $300 a month (over an extended period, generally not less than 6 months) indicate that an individual is able to engage in SGA. There is also a "trial work period" for disabled SSI recipients and disability insurance recipients during which time an individual's employment activities and earnings are not used as criteria for determining whether an individual meets the disability criteria.

The 1980 amendments added the following provisions to deal with such types of work disincentives faced by the disabled:

Impairment related work expenses

A permanent change was made in SSI and disability insurance law to provide for a deduction from earnings for purposes of determing whether an individual is engaging in substantial gainful activity of the cost to individuals of extraordinary impairment-related work expenses. This includes, for example, attendant care costs, the cost of medical devices, equipment, and services and drugs necessary to control an impairment. These deductions are allowed regardless of whether these items are also needed to enable him or her to carry out his normal daily functions. The disregard is applied only where the individual paid the cost of the impairment-related expense. In addition, impairment-related work expenses are disregarded in determining the monthly SSI payment of a disabled SSI recipient. Information is not yet available on the number of people who have benefited from this provision.

Special SSI benefits

A new section 1619(a) of the SSI law provides that an individual who loses eligibility for SSI because he or she works and demonstrates the ability to perform SGA, but who continues to have a disabling impairment, may become eligible for special SSI benefits until their countable income reaches the SSI income disregard "breakeven point," which in a State with no supplementation (as shown in table 2) is $653 a month. People who receive the special SSI benefits continue to be eligible for medicaid on the same basis as regular SSI recipients. States have the option of supplementing the Federal benefits standard for those entitled to benefits under this provision. Authorization for this provision expires on December 31, 1983.

The initial information available from the Social Security Administration shows that in May 1982, 238 SSI recipients were receiving these special SSI benefits. Over 50 percent of such individuals are under age 30 compared to 16 percent of all adult disabled SSI recipients being under the age of 30.

Continuation of medicaid for the working disabled

Under a new section 1619(b), an individual can continue to be eligible for medicaid even if their earnings have taken them past the SSI income disregard "breakeven point." This special eligibility status, under which the individual is considered a blind or disabled individual receiving SSI benefits for purposes of medicaid eligibility, applies as long as the individual: (1) continues to be blind or have a disabling impairment; (2) except for earnings, continues to meet all the other requirements for SSI eligibility; (3) would be seriously inhibited from continuing to work by the termination of eligibility for medicaid services; and (4) has earnings that are not sufficient to provide a reasonable equivalent of the benefits (SSI, State supplementary payments, and medicaid) which would be available if he or she did not have those earnings.

In making an initial determination under the fourth criterion, the Social Security Administration has decided to compare the individual's gross earnings to a "threshold" amount; i.e., the average expenditures for medicaid benefits for disabled SSI cash recipients in the individual's State of residence. According to the Social Security Administration, from data obtained in both May and August of 1982, approximately 5,200 former SSI recipients retained their medicaid eligibility under the provisions of section 1619(b). Similar to the section 1619(a) population, 48 percent of such individuals were age 22-29 compared to 16 percent of all disabled adult recipients of SSI. The authorization for this provision also expires on December 31, 1983.

Extended trial work period

The 1980 amendments also made a permanent change in the trial work period provision for both the SSI disabled and the disability insurance program. The amendment extended the trial work period from the previous 9 months—plus 3 months of continued benefits—to 24 months. In the last 12 months of the 24-month period, an individual who is performing SGA immediately following the 9-month trial work period would not receive disability insurance benefits or regular SSI benefits while engaging in SGA, but would automatically be reinstated to active disability insurance or regular SSI status if earnings fall below the SGA level and they are otherwise eligible for benefits.

TABLE 12.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS BY STATE, SEPTEMBER 1982

State	Total	Aged	Blind	Disabled
Total [1]	3,907,121	1,588,102	77,678	2,241,341
Alabama [2]	127,630	67,651	1,924	58,055
Alaska [2]	2,967	1,092	54	1,821
Arizona [2]	28,639	10,294	596	17,749
Arkansas	72,101	37,357	1,438	33,306
California	667,769	282,083	17,801	367,885
Colorado [2]	28,538	11,025	385	17,128
Connecticut [2]	23,012	6,535	426	16,051
Delaware	6,760	2,174	169	4,417
District of Columbia	14,620	3,915	201	10,504
Florida	169,746	79,358	2,796	87,592
Georgia	146,963	63,494	2,875	80,594
Hawaii	9,898	4,532	170	5,196
Idaho [2]	7,281	2,240	110	4,931
Illinois [2]	118,052	30,811	1,935	85,306
Indiana [2]	40,258	12,486	1,179	26,593
Iowa	24,472	9,238	1,013	14,221
Kansas	19,181	6,485	302	12,394
Kentucky [2]	90,998	36,748	2,031	52,219
Louisiana	125,507	55,453	2,069	67,985
Maine	20,137	8,156	290	11,691
Maryland	46,488	14,270	671	31,547
Massachusetts	109,936	55,676	4,949	49,311
Michigan	108,931	31,778	1,913	75,240
Minnesota [2]	29,762	10,792	641	18,329
Mississippi	109,554	55,957	1,791	51,806
Missouri [2]	77,808	33,065	1,265	43,478
Montana	6,535	1,950	131	4,454
Nebraska [2]	12,919	4,412	228	8,279
Nevada	6,663	3,307	465	2,891
New Hampshire [2]	5,151	1,737	120	3,294
New Jersey	82,835	29,464	1,129	52,242
New Mexico [2]	24,349	9,448	457	14,444
New York	340,213	118,765	3,996	217,452
North Carolina [2]	133,166	56,854	2,957	73,355
North Dakota [2]	5,856	2,676	82	3,098
Ohio	113,805	29,249	2,306	82,250
Oklahoma [2]	60,383	28,501	950	30,932
Oregon [2]	21,876	6,529	502	14,845
Pennsylvania	153,322	48,908	3,040	101,374

TABLE 12.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS BY STATE, SEPTEMBER 1982—Continued

State	Total	Aged	Blind	Disabled
Rhode Island	14,509	5,312	214	8,983
South Carolina [2]	80,267	34,327	1,851	44,089
South Dakota	7,750	3,302	147	4,301
Tennessee	124,515	53,525	1,977	69,013
Texas [3]	245,345	130,021	4,194	111,130
Utah [2]	7,541	2,081	168	5,292
Vermont	8,531	3,144	122	5,265
Virginia [2]	78,222	31,209	1,399	45,614
Washington	43,047	13,062	595	29,390
West Virginia [2]	39,147	11,627	636	26,884
Wisconsin	61,851	25,032	958	35,861
Wyoming [2]	1,680	637	40	1,003
Unknown	14	5	1	8
Other:				
Northern Mariana Islands [3]	621	353	19	249

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[1] Includes persons with Federal SSI payments and/or federally administered State supplementation, unless otherwise indicated.

[2] Data for Federal SSI payments only. State has State-administered supplementation.

[3] Data for Federal SSI payments only; State supplementary payments not made.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 13.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, AND FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, BY STATE, FISCAL YEAR 1982

[In thousands of dollars]

State	Total	Federal SSI	State supplementation
Total	8,669,504	[1] 6,832,380	[2] 1,837,124
Alabama	224,643	224,643	
Alaska	6,514	6,514	
Arizona	62,206	62,206	
Arkansas	119,064	119,013	51
California	2,113,232	879,805	1,233,427
Colorado	53,242	53,242	
Connecticut	47,414	47,414	
Delaware	12,936	12,477	459
District of Columbia	35,528	31,626	3,902
Florida	354,617	354,617	
Georgia	268,509	268,466	43

TABLE 13.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, AND FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, BY STATE, FISCAL YEAR 1982—Continued

[In thousands of dollars]

State	Total	Federal SSI	State supplementation
Hawaii	23,411	19,033	4,378
Idaho	13,394	13,394	
Illinois	244,232	244,232	
Indiana	71,906	71,906	
Iowa	40,279	39,239	1,040
Kansas	32,713	32,659	54
Kentucky	177,634	177,634	
Louisiana	246,040	245,939	101
Maine	33,075	28,188	4,887
Maryland	96,516	96,364	152
Massachusetts	258,551	138,307	120,244
Michigan	257,753	199,214	58,539
Minnesota	47,672	47,672	
Mississippi	198,818	198,753	65
Missouri	145,222	145,222	
Montana	12,517	11,782	735
Nebraska	22,424	22,424	
Nevada	14,274	11,649	2,625
New Hampshire	9,503	9,503	
New Jersey	197,202	156,914	40,288
New Mexico	48,005	48,005	
New York	872,630	650,949	221,681
North Carolina	243,233	243,233	
North Dakota	9,688	9,688	
Ohio	233,350	233,270	80
Oklahoma	108,017	108,017	
Oregon	42,001	42,001	
Pennsylvania	344,591	288,366	56,225
Rhode Island	29,012	21,896	7,116
South Carolina	145,137	145,137	
South Dakota	12,216	12,183	33
Tennessee	230,457	230,457	
Texas	419,164	419,164	
Utah	13,943	13,943	
Vermont	17,749	12,631	5,118
Virginia	143,311	143,311	
Washington	94,213	78,175	16,038

TABLE 13.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, AND FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, BY STATE, FISCAL YEAR 1982—Continued

[In thousands of dollars]

State	Total	Federal SSI	State supplementation
West Virginia	83,983	83,983	
Wisconsin	133,418	73,359	60,059
Wyoming	2,929	2,929	
Other areas:			
Northern Mariana Islands	1,542	1,542	

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[1] Federal payments of $92,000 not reported by State.

[2] The total amount of State payments was reduced by $85,000 to reflect returned checks and overpayment refunds in some States where amount is not shown. In addition, a reduction of $131,000 was made to reflect adjustments not applicable to specific States.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 14.—NUMBER OF RECIPIENTS[1] AND TOTAL EXPENDITURES UNDER STATE ADMINISTERED STATE SUPPLEMENTATION, FISCAL YEAR 1982[2]

	Expenditures (in thousands)	Recipients
Alabama	$11,047	17,631
Alaska[3]	4,800	2,440
Arizona	1,354	1,665
Colorado	36,993	33,474
Connecticut	22,481	12,230
Florida	3,305	7,511
Idaho	3,418	2,470
Illinois	28,856	28,607
Indiana[3]	600	305
Kentucky	10,790	7,675
Maryland	868	543
Minnesota	12,072	10,105
Missouri	9,136	19,857
Nebraska	5,568	8,203
New Hampshire	5,823	4,487
New Mexico	250	275
North Carolina	27,292	10,832
North Dakota[4]	1,435	97
Oklahoma	40,221	52,658
Oregon	7,089	13,219
South Carolina	2,374	1,784
South Dakota	474	349

TABLE 14.—NUMBER OF RECIPIENTS[1] AND TOTAL EXPENDITURES UNDER STATE ADMINISTERED STATE SUPPLEMENTATION, FISCAL YEAR 1982[2]—Continued

	Expenditures (in thousands)	Recipients
Utah	716	5,668
Virginia	8,735	3,618
Wyoming	224	1,390
Total	245,921	247,093

[1] As of September 1982.
[2] Does not include Iowa.
[3] Partly estimated.
[4] Amounts listed for expenditures include payments for mandatory and optional supplementation while the number of recipients listed includes only those receiving mandatory supplements.

Source: Office of Research and Statistics, Social Security Administration.

TABLE 15.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR INDIVIDUALS LIVING INDEPENDENTLY, JANUARY 1983[1]

	Maximum SSI benefit[2]	Food stamp benefit[3]	Combined benefits	
			Monthly	Annual
Alabama	$284	$51	$335	$4,020
Alaska	[4] 545	50	595	7,140
Arizona	284	51	335	4,020
Arkansas	284	51	335	4,020
California	[5] 451	[6] 0	451	5,412
Colorado	[7] 341	34	375	4,500
Connecticut *	[8] 448	0	448	5,371
Delaware	284	51	335	4,020
District of Columbia	299	47	346	4,152
Florida	284	51	335	4,020
Georgia	284	51	335	4,020
Hawaii	299	103	402	4,824
Idaho *	347	32	379	4,548
Illinois *	[9] 312	43	355	4,260
Indiana	284	51	335	4,020
Iowa	[10] 284	51	335	4,020
Kansas	284	51	335	4,020
Kentucky	284	51	335	4,020
Louisiana	284	51	335	4,020
Maine	294	48	342	4,104
Maryland	284	51	335	4,020
Massachusetts	[11] 421	10	431	5,172
Michigan	308	44	352	4,224
Minnesota	319	41	360	4,320

TABLE 15.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR INDIVIDUALS LIVING INDEPENDENTLY, JANUARY 1983 [1]—Continued

	Maximum SSI benefit [2]	Food stamp benefit [3]	Combined benefits	
			Monthly	Annual
Mississippi	284	51	335	4,020
Missouri	284	51	335	4,020
Montana	284	51	335	4,020
Nebraska	369	26	395	4,740
Nevada	[12] 331	37	368	4,416
New Hampshire	308	44	352	4,224
New Jersey *	[13] 311	48	359	4,313
New Mexico	284	51	335	4,020
New York	347	32	379	4,548
North Carolina	284	51	335	4,020
North Dakota	284	51	335	4,020
Ohio	284	51	335	4,020
Oklahoma	363	27	390	4,680
Oregon	[14] 296	48	344	4,128
Pennsylvania	316	42	358	4,296
Rhode Island	334	36	370	4,440
South Carolina	284	51	335	4,020
South Dakota	[15] 299	47	346	4,152
Tennessee	284	51	335	4,020
Texas	284	51	335	4,020
Utah	294	48	342	4,104
Vermont	331	37	368	4,416
Virginia	284	51	335	4,020
Washington	[16] 322	40	372	4,464
West Virginia	284	51	335	4,020
Wisconsin	384	[6] 0	384	4,608
Wyoming	[17] 304	45	349	4,188
Northern Marianas	284	51	335	4,020

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*Data obtained from State by CRS.

[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category.

[2] Maximum amounts payable to an aged SSI recipient in combined Federal and State supplementary payments. The Federal floor benefit for Oct. 1, 1982 through June 30, 1983 is $284 ($284.30 from July 1, 1982–Sept. 30, 1982).

[3] For one-person households, maximum food stamp benefits from Oct. 1, 1982 through Sept. 1983 are $75 in the 48 contiguous States and the District of Columbia, $109 in Alaska, and $106 in Hawaii. For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $85 per month, (2) an "excess shelter expense" deduction of $115 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an "excess medical" deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter deductions were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($345 and $285 respectively, for combined standard and excess shelter allowance).

[4] Less if shelter costs less than $35 monthly.

[5] Higher if blind.

[6] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[7] Less if blind or disabled.

[8] Estimated maximum paid for aged individual with average shelter cost of $200 monthly. Higher if shelter costs are higher or special need exists. State decides benefits on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces only $22 excess shelter deduction for food stamp calculation.)

[9] Estimated usual maximum paid for aged individual. State decides benefits on case-by-case basis. Estimate provided by State official.

[10] Higher if blind.

[11] Higher if blind; lower if disabled.

[12] Higher if blind.

[13] Benefits shown include $14.58 per case for energy aid, disregarded by the food stamp program.

[14] Higher if blind.

[15] State supplement paid only if recipient has no income other than Federal SSI payment.

[16] Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties.

[17] State supplement paid only if recipient has less than $20 income.

Source of SSI data: Social Security Administration except for States marked with asterisk.

TABLE 16.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR COUPLES LIVING INDEPENDENTLY, JANUARY 1983 [1]

	Maximum SSI benefit [2]	Food stamp benefit [3]	Combined benefits	
			Monthly	Annual
Alabama	$426	$73	$499	$5,988
Alaska	[4] 802	0	802	9,624
Arizona	426	73	499	5,988
Arkansas	426	73	499	5,988
California	[5] 838	[6] 0	838	10,056
Colorado	[7] 682	0	682	8,184
Connecticut *	[8] 695	0	695	8,341
Delaware	426	73	499	5,988
District of Columbia	456	64	520	6,240
Florida	426	73	499	5,988
Georgia	426	73	499	5,988
Hawaii	450	146	596	7,152
Idaho *	460	62	522	6,264
Illinois *	[9] 490	53	543	6,516
Indiana	426	73	499	5,988
Iowa	[10] 426	73	499	5,988
Kansas	426	73	499	5,988
Kentucky	426	73	499	5,988
Louisiana	426	73	499	5,988
Maine	441	68	509	6,108
Maryland	426	73	499	5,988
Massachusetts	[11] 640	0	640	7,680
Michigan	462	62	524	6,288
Minnesota	470	59	529	6,348
Mississippi	426	73	499	5,988

TABLE 16.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR COUPLES LIVING INDEPENDENTLY, JANUARY 1983[1]—Continued

	Maximum SSI benefit[2]	Food stamp benefit[3]	Combined benefits	
			Monthly	Annual
Missouri	426	73	499	5,988
Montana	426	73	499	5,988
Nebraska	552	35	587	7,044
Nevada	[12] 516	46	562	6,744
New Hampshire	442	68	510	6,120
New Jersey *	[13] 447	70	518	6,211
New Mexico	426	73	499	5,988
New York	505	49	554	6,648
North Carolina	426	73	499	5,988
North Dakota	426	73	499	5,988
Ohio	426	73	499	5,988
Oklahoma	584	25	609	7,308
Oregon	[14] 436	70	506	6,072
Pennsylvania	475	58	533	6,396
Rhode Island	521	44	565	6,780
South Carolina	426	73	499	5,988
South Dakota	[15] 441	68	509	6,108
Tennessee	426	73	499	5,988
Texas	426	73	499	5,988
Utah	446	67	513	6,156
Vermont	[16] 513	46	559	6,708
Virginia	426	73	499	5,988
Washington	[17] 462	62	524	6,288
West Virginia	426	73	499	5,988
Wisconsin	587	[6] 0	587	7,044
Wyoming	[18] 466	61	527	6,324
Northern Marianas	426	73	499	5,988

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*Data obtained from State by CRS.

[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category.

[2] Maximum amounts payable to an aged SSI recipient in combined Federal and State supplementary payments. The Federal floor benefit for Oct. 1982 through June 30, 1983 is $426 ($426.40 from July 1, 1982–Sept. 30, 1982) per couple.

[3] For 2-person households, maximum food stamp benefits from Oct. 1982 through Sept. 1983 are $139 in the 48 contiguous States and the District of Columbia, $200 in Alaska, and $194 in Hawaii.

For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $85 per month, (2) an "excess shelter expense" deduction of $115 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an "excess medical expense" deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter costs were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($345 and $285, respectively, for combined standard and excess shelter allowance).

[4] Less if shelter costs less that $35 monthly.

[5] Higher if blind.

[6] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[7] Less if blind or disabled.

[8] Estimated maximum paid for aged couple with average shelter cost of $200 monthly. Higher if shelter costs are higher or special need exists. State decides benefits on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces no excess shelter cost deduction for food stamp calculation.)

[9] Estimated usual maximum paid for aged couple. State decides benefits on case-by-case basis. Estimate provided by State official.

[10] Higher if blind.

[11] Higher if blind, lower if disabled.

[12] Higher if blind.

[13] Benefits shown include $14.58 per case for energy aid, disregarded by the food stamp program.

[14] Higher if blind.

[15] State supplement paid only if recipient has no income other than Federal SSI payment.

[16] Sum paid only in Chittenden County.

[17] Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties.

[18] State supplement paid only if couple has less than $40 income.

Source of SSI data: Social Security Administration except for States marked with asterisk.

Section 11. Low-Income Home Energy Assistance

Since 1977, the Federal Government has provided assistance to low-income households to help them deal with high energy prices. During fiscal year 1981, the Home Energy Assistance Act of 1980 (title III of Public Law 96-232, the Crude Oil Windfall Profit Tax Act of 1980) authorized a program of block grants to the States to provide energy assistance to low-income families. In fiscal year 1981, $1.85 billion was appropriated for the program.

As part of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) the Low-Income Home Energy Assistance Act of 1981 authorized the Secretary of Health and Human Services to make grants to States to assist eligible households to meet the costs of home energy. For each of the fiscal years 1982, 1983, and 1984, $1.875 billion was authorized. There is no State matching requirement.

The continuing resolution adopted in December 1982 to be effective through September 1983 appropriated $1.975 billion for the low-income home energy assistance program.

ALLOTMENTS TO STATES AND TERRITORIES

State allocations are determined on the basis of the percentage of funds each State received for fiscal year 1981 under the Home Energy Assistance Act of 1980. The law provides discretion to the Secretary of Health and Human Services (HHS) to apportion between one-tenth and one-half of 1 percent of the funds available in the fiscal year to the territories. Table 1 shows the allocations to the States for fiscal years 1981, 1982, and 1983. The 1983 allocation is based upon the funds appropriated in the continuing resolution enacted in December 1982. Indian tribes can receive direct funding under a State's allocation if the Secretary of Health and Human Services determines that the tribe would be better served. In fiscal year 1982, 55 tribal organizations received direct LIEAP grants.

Up to 25 percent of a State's allotment may be held by the State for use in the following fiscal year. The amount reserved does not change, in any way, the State's subsequent fiscal year allocation. Amounts above 25 percent that are not expended may be reallocated by the Secretary. States have the authority to transfer up to 10 percent of their allotment to one or any combination of the block grants for: community services; title XX social services; preventive health services; primary health care; and maternal and child health services. In fiscal year 1982, 33 States reported to a HHS phone survey that they planned to transfer some portion of their LIEAP funds to other block grants (see table 3). No State reported plans to transfer funds into LIEAP from other block grants.

As is the case with the 25 percent carryover authority, if a State chooses to transfer up to 10 percent of its allotment to other block grants, the transfer would not affect the computation of the State's allotment under the energy assistance program.

TABLE 1.—LOW-INCOME ENERGY ASSISTANCE PROGRAM STATE ALLOTMENTS

[In thousands of dollars]

States	Fiscal year—		
	1981[1]	1982[2]	1983[3]
Alabama	$15,674	$16,005	$16,943
Alaska	7,505	6,506	10,815
Arizona	6,426	6,998	8,194
Arkansas	11,960	12,268	12,928
California	84,088	85,886	90,895
Colorado	29,319	30,074	31,692
Connecticut	38,247	39,233	41,344
Delaware	5,077	5,207	5,488
District of Columbia	5,940	6,093	6,421
Florida	25,921	25,436	26,809
Georgia	19,609	20,115	21,197
Hawaii	1,975	2,026	2,135
Idaho	11,181	11,639	12,362
Illinois	105,862	108,591	114,433
Indiana	47,431	49,167	51,812
Iowa	29,470	34,845	36,720
Kansas	15,515	15,974	16,863
Kentucky	24,943	25,586	26,963
Louisiana	16,024	16,403	17,322
Maine	27,513	25,165	26,784
Maryland	29,285	30,040	31,656
Massachusetts	82,707	78,460	82,701
Michigan	111,598	103,003	108,644
Minnesota	72,409	74,276	78,272
Mississippi	13,930	13,764	14,526
Missouri	37,885	43,375	45,709
Montana	11,350	11,107	14,500
Nebraska	13,799	17,211	18,159
Nevada	3,560	3,635	3,848
New Hampshire	14,481	14,855	15,654
New Jersey	71,025	72,722	76,775
New Mexico	8,867	9,154	10,258
New York	231,907	237,759	250,683
North Carolina	34,561	35,452	37,359
North Dakota	7,995	13,197	15,751
Ohio	93,651	96,065	101,233

TABLE 1.—LOW-INCOME ENERGY ASSISTANCE PROGRAM STATE ALLOTMENTS—Continued

[In thousands of dollars]

States	Fiscal year—		
	1981[1]	1982[2]	1983[3]
Oklahoma	15,998	14,535	15,574
Oregon	22,723	23,309	24,563
Pennsylvania	124,568	127,780	134,654
Rhode Island	12,594	12,918	13,613
South Carolina	13,822	12,769	13,456
South Dakota	10,241	10,440	12,793
Tennessee	25,267	25,918	27,313
Texas	41,261	42,325	44,602
Utah	13,289	13,537	14,728
Vermont	10,854	11,134	11,733
Virginia	39,019	36,593	38,561
Washington	33,104	37,325	40,403
West Virginia	16,507	16,932	17,843
Wisconsin	61,679	66,859	70,456
Wyoming	3,561	5,596	5,897
U.S. total	1,813,177	1,855,262	1,970,037

[1] Includes reallocation of funds and crisis intervention funds but excludes payments to Indian tribal organizations. Source: Low Income Energy Assistance Program; Report to Congress for Fiscal Year 1981, Department of Health and Human Services.

[2] Source: Department of Health and Human Services, Office of Energy Assistance memorandum of Aug. 20, 1982. Excludes payments to Indian tribal organizations.

[3] Estimate of State allotments based on original fiscal year 1981 State allotment shares. Excludes payments to Indian tribal organizations.

ELIGIBILITY AND TYPES OF ASSISTANCE

States have considerable discretion under the program to determine eligibility criteria and the types of assistance to be provided to low-income households to deal with high energy costs.

Federal funds may be used to make payments to households in which one or more individuals is receiving AFDC, food stamps, SSI or certain veterans' benefits or to households with incomes which do not exceed the greater of 150 percent of the poverty level or 60 percent of a State's median income. See table 2 for State-by-State information on 60 percent of States' median income for fiscal year 1982 for various size households. See table 1 of Appendix A for poverty level information. Only 9 States reported using AFDC, food stamps, SSI or veterans' pensions for categorical LIEAP eligibility in fiscal year 1982. State income eligibility ranged from the Federal maximum to a low of 62 percent of poverty. In all, 33 States reported income eligibility tests below the Federal maximum (see table 3).

TABLE 2.—LOW-INCOME HOME ENERGY ASSISTANCE: 60 PERCENT OF STATES' MEDIAN INCOME, FISCAL YEAR 1982

States	4-person household	2-person household	1-person household
Alabama	$11,168	$7,594	$5,807
Alaska	18,622	12,663	9,683
Arizona	13,800	9,384	7,176
Arkansas	11,096	7,545	5,770
California	15,065	10,244	7,834
Colorado	15,137	10,293	7,871
Connecticut	14,646	9,959	7,616
Delaware	12,710	8,643	6,609
District of Columbia	12,786	8,694	6,649
Florida	12,454	8,469	6,476
Georgia	12,947	8,804	6,473
Hawaii	14,749	1,029	7,669
Idaho	12,257	8,335	6,374
Illinois	14,559	9,900	7,571
Indiana	13,568	9,227	7,055
Iowa	13,540	9,207	7,041
Kansas	13,709	9,322	7,129
Kentucky	11,483	7,808	5,971
Louisiana	12,100	8,228	6,292
Maine	10,844	7,374	5,638
Maryland	14,812	10,072	7,702
Massachusetts	14,272	9,705	7,421
Michigan	14,653	9,964	7,620
Minnesota	14,645	9,959	7,615
Mississippi	10,603	7,210	5,514
Missouri	12,776	8,688	6,644
Montana	12,031	8,181	6,256
Nebraska	12,449	8,466	6,473
Nevada	15,274	10,386	7,942
New Hampshire	13,401	9,113	6,969
New Jersey	14,676	9,980	7,632
New Mexico	12,619	8,581	6,562
New York	12,649	8,601	6,577
North Carolina	11,789	8,016	6,130
North Dakota	11,712	7,964	6,090
Ohio	13,517	9,191	7,029
Oklahoma	12,511	8,507	6,506
Oregon	14,419	9,805	7,498
Pennsylvania	12,388	9,104	6,962
Rhode Island	12,982	8,828	6,751

TABLE 2.—LOW-INCOME HOME ENERGY ASSISTANCE: 60 PERCENT OF STATES' MEDIAN INCOME, FISCAL YEAR 1982—Continued

States	4-person household	2-person household	1-person household
South Carolina	12,092	8,223	6,288
South Dakota	11,525	7,837	5,993
Tennessee	11,662	7,930	6,064
Texas	14,050	9,554	7,306
Utah	12,750	8,670	6,630
Vermont	11,588	7,880	6,026
Virginia	13,786	9,374	7,169
Washington	14,646	9,959	7,616
West Virginia	11,326	7,701	5,890
Wisconsin	14,111	9,595	7,338
Wyoming	13,604	9,251	7,074

At the option of the State, the Social Security Administration will make direct payments to qualified SSI recipients. SSI recipients are not automatically eligible for direct assistance if they live in a medicaid institution, live in the household of another resulting in a one-third reduction in Federal benefits or are disabled or blind children living at home.

The term "household" for the program means any individual or group of individuals who are living together as one economic unit and for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent.

States are to provide assurances that, in a manner consistent with the efficient and timely payment of benefits, the highest level of assistance will be furnished to those households which have the lowest income and the highest energy costs in relation to income.

In conducting its outreach activities under the program, States are to give priority to making households with elderly or handicapped individuals aware of the assistance available. Although all States reported outreach activities for fiscal year 1982 several special types of efforts, directed toward the elderly, and handicapped, were reported in a telephone survey. Five States reported having special application periods. Fourteen States made home visits or provided some transportation to LIEAP application offices. Eight States reported stuffing utility bills with informational pamphlets. Thirteen States mailed LIEAP applications or information directly to potential recipients. Finally, five States reported staffing toll-free informational hotlines. These outreach activities are not inclusive of all efforts but represent a variety of approaches taken by States to insure that the elderly and the handicapped have knowledge of the program and access to its benefits.

States may use LIEAP funds to provide assistance in meeting home heating or cooling expenses, low-cost weatherization of homes—up to 15 percent of a States' allotment—and energy related emergency assistance. In addition, States have considerable discretion over the method of providing assistance. Table 3 provides information on the types of assistance and methods of payment used by States in fiscal year 1982.

In addition to making payments directly to eligible households, a State may choose to use low-income energy assistance funds to pay home energy suppliers directly. States must provide assurances that suppliers will charge the eligible households the difference between the amount of the assistance and the actual cost of home energy.

Also, States may use Federal funds to provide tax credits to energy suppliers who supply home energy to low-income households at reduced rates.

Home energy assistance payments cannot be considered as the income or resources of an eligible household for any purpose under Federal or State law, specifically including any law relating to taxation, public assistance or welfare programs. A provision in the Agriculture and Food Act of 1981 (Public Law 97-98) excludes as income for the food stamp program any payments or allowances made under any Federal law for the purposes of providing energy assistance. Also excluded from being counted as income under the Food Stamp program are payments or allowances made under any State or local law for energy assistance, if they are designated as energy assistance by State and local legislative body and determined by the Secretary of Agriculture to be provided on a seasonable basis, with certain exceptions, for an aggregate period not to exceed 6 months in any year.

TABLE 3.—FISCAL YEAR 1982 LOW INCOME ENERGY ASSISTANCE PROGRAM—STATE PROGRAM FEATURES

	Eligibility		Use of funds (other than heating assistance)			Method of payment				
	Categorical eligibility (AFDC, food stamps, SSI, or veterans pensions)	Income eligibility below Federal maximum	Transfer to other block grants	Cooling assistance	Weatherization	Direct payment to client	Vendor	Two-party checks	Estimated average heating benefit (per household)	Estimated households served (heating only)
Alabama	X	X	X	X	X	X			50	172,075
Alaska	X		X		X	X	X		375	12,000
Arizona	X	X		X	X	NS	NS	X	160	20,000
Arkansas		X	X	X	X		X		75	63,898
California	X	X	X	X	X	X			68	474,000
Colorado	X	X	X		X	X			268	82,000
Connecticut					X	NA	NA	NA	512	62,000
Delaware	X	X			X	X	X		256	14,500
District of Columbia	X			X	X	X	X		311	10,000
Florida		X	X	X	X	X			152	[1] 104,013
Georgia		X	X		X	X		X	146	96,312
Hawaii		X		X	X	NA	NA	NA	31	[2] 30,000
Idaho		X	X		X			X	265	25,848
Illinois	X	X		X	X	NS	X	NS	184	475,000
Indiana		X			X	X	X		235	115,243
Iowa			X		X	NS	NS	X	273	77,000
Kansas			X	X	X	X			167	61,058
Kentucky		X	X	X	X	X		X	159	31,701

TABLE 3.—FISCAL YEAR 1982 LOW INCOME ENERGY ASSISTANCE PROGRAM—STATE PROGRAM FEATURES—Continued

	Eligibility		Use of funds (other than heating assistance)			Method of payment				
	Categorical eligibility (AFDC, food stamps, SSI, or veterans pensions)	Income eligibility below Federal maximum	Transfer to other block grants	Cooling assistance	Weatherization	Direct payment to client	Vendor	Two-party checks	Estimated average heating benefit (per household)	Estimated households served (heating only)
Louisiana		X	X	X		X			46	113,257
Maine		X			X	NA	NA	NA	429	44,683
Maryland		X	X		X		X		227	69,324
Massachusetts					X	NS	X	NS	375	170,000
Michigan		X	X		X	X	X		81	565,000
Minnesota			X		X		X		462	104,000
Mississippi		X	X	X	X			X	155	56,720
Missouri			X		X	X	X		197	157,920
Montana		X	X		X	NS	X	NS	335	14,896
Nebraska			X	X	X	X	X		321	35,168
Nevada		X	X	X	X	X	NS	NS	162	10,716
New Hampshire		X			X		X		444	23,896
New Jersey		X	X	X	X	NA	NA	NA	240	200,000
New Mexico							X		235	35,630
New York			X	U	X	NA	NA	NA	168	1,000,000
North Carolina		X	X		X	X			146	143,700
North Dakota			X		X	X	X		614	13,200

Ohio				U	X	X	X		189	320,000
Oklahoma		X		X	X	NS	X	NS	123	65,673
Oregon		X	X		X	NA	NA	NA	174	76,005
Pennsylvania		X			X		X		275	300,000
Rhode Island							X	X	230	30,500
South Carolina		X			X			X	149	60,618
South Dakota			X		X	X	X		350	16,000
Tennessee		X	X	X	X	NS	X	NS	195	34,356
Texas	X	X		X	X	X			82	265,000
Utah			X		X	NA	NA	NA	296	35,500
Vermont		X			X			X	395	19,000
Virginia		X	X		X		X		323	100,000
Washington		X	X		X	X	X		162	101,000
West Virginia		X	X		X	X	X		173	54,000
Wisconsin			X		X	X		X	239	161,000
Wyoming		X	X		X	X			411	8,750

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[1] Heating assistance and cooling assistance combined.

[2] Assistance for home energy, not limited to Heating and Cooling Assistance.

NS—Pertains to those States where a method of payment was not specified for 100 percent of the funds. In these cases the X indicates the primary (80 percent or more of the funds) method of payment.

NA—Data not available as to method of payment.

U—Unknown as to whether State used money in this manner.

Source: Data compiled from phone interviews with State offices between March and July 1982, by Department of Health and Human Services and Congressional Research Service. All information is provisional and subject to change.

PLANNING AND ADMINISTRATION

No more than 10 percent of a State's allotment can be used for administrative costs.

States are required to submit an application for funds to the Secretary of Health and Human Services. As a part of the annual application, the chief executive officer of the State is required to make certain assurances, and include a plan detailing how these assurances would be carried out. These assurances relate to eligibility requirement, uses to be made of the funds and planning and administrative requirements under the law.

States must provide for public participation and public hearings in development of the State plan including making it available for public inspection and allowing public comment on the plan. At least once a year States are required to engage an independent entity to prepare an audit of expenditures under this program. States would be required to repay amounts found not to have been spent in accordance with the act, or the Secretary may offset these amounts against future payments. The Comptroller General would be required to evaluate whether expenditures are consistent with the act.

To the extent it is necessary to designate local administrative agencies in order to carry out the purposes of the program, States would be required to give special consideration in the designation to any local public or private nonprofit agency, or successor agency, which was receiving Federal funds under any low-income energy assistance or weatherization program on the date the program was enacted (August 13, 1981). The State must first determine that the agency meets program and fiscal requirements.

The Low-Income Home Energy Assistance Act also contains nondiscrimination requirements that fair administrative hearings be provided for individuals whose claim for assistance is denied or not acted on with reasonable promptness; and limits on the use of grants for construction except as related to weatherization activities.

The Secretary of Health and Human Services, after consultation with the Secretary of Energy, is to provide for the collection of certain data, including the characteristics of the households assisted by the program, the costs and types of fuel used and the types of assistance provided by States under the program. The Secretary is to submit an annual report to the Congress containing a summary of the data collected.

Section 12. Title XX Social Service Programs

In 1972, Congress established a $2.5 billion annual ceiling on States' entitlements to Federal social service funds authorized under the various public assistance titles of the Social Security Act with each State's share determined on the basis of the proportion of its population to the total population of all the States.

In 1974, Congress enacted, effective October 1, 1975, a new title XX of the Social Security Act which retained the $2.5 billion ceiling on Federal expenditures for social services and the formula for allocating funds to States. Title XX requires that each service provided under a State's plan be directed toward achieving at least one of the following goals for the recipient: achieving or maintaining economic self support or self sufficiency; preventing or remedying abuse or neglect of children and adults unable to protect their own interest; providing community based or home based care; or enabling individuals to secure appropriate institutional care when necessary.

In fiscal year 1981 the entitlement ceiling for allocation to States for social services was $2.9 billion. The old title XX law provided for the entitlement ceiling to increase by $100 million a year until it reached $3.3 billion in fiscal year 1985. In addition, $16.1 million of title XX funds was available for the territories for social services and $75 million was available to the States for staff training costs related to title XX activities. A total of $2,991,100,000 was available to States and territories for social services and training in fiscal year 1981 under title XX.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) amended title XX of the Social Security Act to establish a "Block Grant to States for Social Services" which combined the funding for social services for the States and territories and social services staff training. In fiscal year 1982, the entitlement ceiling for the block grant was $2.4 billion. This increased to $2.45 billion in fiscal year 1983; $2.5 billion in fiscal year 1984; $2.6 billion in fiscal year 1985; and $2.7 billion in fiscal year 1986 and years thereafter.

The federal funds are available to States without a State matching requirement, compared to the 25-percent State matching required for most of the title XX funds available to States under the old title XX law. Title XX social services block grant funds are generally allocated to the States on the basis of population. The allotments for Puerto Rico, Guam, the Virgin Islands and the Northern Marianas from the national total are based on their allocation for fiscal year 1981 reduced to reflect the new total funding level. With the enactment of P.L. 97-35, States have the authority to transfer up to 10 percent of their title XX social services allotment to one or any combination of the block grants for community services; low income home energy assistance; preventive health services; primary health care; and maternal and child health services. Twenty-seven States utilized the option to transfer up to 10 percent of their allotment under the low income home energy assistance program to the title XX program. These transfers to title XX programs totaled approximately $80 million in fiscal year 1982. Table 1 shows the total funds available to each State and territory under the title XX services and training programs in fiscal year 1981, the allocation to each State and territory under the 1982 $2.4 billion title XX social services block grant ceiling, the 1983 $2.45 billion ceiling, and the $2.5 billion ceiling in 1984.

TABLE 1.—TITLE XX SOCIAL SERVICES FEDERAL ALLOCATION BY STATES

[In thousands of dollars]

	Fiscal year—			
	1981 title XX services and training programs	1982 block grant	1983 block grant	1984 block grant
Total	2,991,100	2,400,000	2,450,000	2,500,000
Alabama	50,729	40,989	41,843	42,466
Alaska	5,469	4,215	4,302	4,466
Arizona	32,382	28,640	29,236	30,291
Arkansas	30,472	24,088	24,589	24,892
California	302,631	249,403	254,598	262,892
Colorado	35,576	30,442	31,075	32,145
Connecticut	47,169	32,749	33,431	33,977
Delaware	7,905	6,270	6,400	6,483
District of Columbia	9,198	6,723	6,862	6,841
Florida	116,497	102,631	104,769	110,401
Georgia	69,055	57,575	58,774	60,431
Hawaii	12,163	10,168	10,380	10,635
Idaho	11,900	9,947	10,154	10,397
Illinois	152,455	120,313	122,819	124,267
Indiana	73,161	57,849	59,053	59,282
Iowa	39,265	30,695	31,334	31,430
Kansas	31,834	24,899	25,417	25,835
Kentucky	48,003	38,576	39,380	39,702
Louisiana	54,073	44,298	45,220	46,706
Maine	15,139	11,854	12,101	12,283
Maryland	56,178	44,424	45,349	46,218
Massachusetts	78,936	60,451	61,710	62,589
Michigan	124,587	97,553	99,584	99,786
Minnesota	54,340	42,960	43,854	44,385
Mississippi	32,676	26,564	27,117	27,440
Missouri	65,886	51,811	52,890	53,568

TABLE 1.—TITLE XX SOCIAL SERVICES FEDERAL ALLOCATION BY STATES—Continued

[In thousands of dollars]

	Fiscal year—			
	1981 title XX services and training programs	1982 block grant	1983 block grant	1984 block grant
Montana	72,077	8,293	8,465	8,597
Nebraska	21,221	16,543	16,887	17,097
Nevada	8,947	8,419	8,594	9,161
New Hampshire	11,805	9,705	9,906	10,147
New Jersey	99,354	77,595	79,211	80,271
New Mexico	16,712	13,698	13,983	14,397
New York	243,943	185,000	188,854	190,835
North Carolina	76,325	61,895	63,184	64,540
North Dakota	8,951	6,881	7,024	7,133
Ohio	145,743	113,769	116,139	116,884
Oklahoma	39,056	31,875	32,538	33,609
Oregon	32,123	27,744	28,322	28,741
Pennsylvania	160,251	125,044	127,648	128,701
Rhode Island	12,874	9,979	10,186	10,332
South Carolina	39,557	32,865	33,549	34,335
South Dakota	9,356	7,271	7,422	7,437
Tennessee	59,066	48,376	49,383	50,001
Texas	177,795	149,922	153,045	160,088
Utah	18,017	15,395	15,715	16,457
Vermont	6,880	5,384	5,496	5,594
Virginia	70,092	56,331	422	58,870
Washington	51,425	43,518	57,504	45,719
West Virginia	25,980	20,547	44,424	21,162
Wisconsin	63,640	49,577	50,609	51,411
Wyoming	5,924	4,953	5,066	5,334
Puerto Rico	16,000	12,414	12,672	12,931
Guam	500	414	422	431
Virgin Islands	500	414	422	431
Northern Marianas	100	83	84	86

Source: Department of Health and Human Services.

PLANNING AND ADMINISTRATIVE REQUIREMENTS

As under previous title XX law, States are required to make available for public comment a report on how the funds are to be used, including information about the types of social services, and related training and administrative activities to be funded and the characteristics of the individuals to be served. This report is also to be submitted to the Department of Health and Human Services. At least every two years, the State must prepare a post-expenditure report describing the activities for which funds were expended and the extent to which funds were spent in a manner consistent with the pre-expenditure report. At least every two years, States must arrange for an independent audit of these expenditures.

While there are now fewer Federal requirements than previously regarding public participation in the development of a State's title XX plan, a survey of States conducted by the American Public Welfare Association shows almost all the States have indicated that they have no plans to reduce the amount or substantially change their methods of public participation.

RECIPIENTS OF TITLE XX FUNDED SOCIAL SERVICES

In fiscal year 1979, when the ceiling on title XX services funds was $2.9 billion, over 7.2 million individuals were recipients of title XX services.

Under the old title XX law, eligibility for title XX funded social services was determined by the states within certain parameters set by Federal law.

The 1981 Budget Reconciliation Act eliminated the federally mandated priority that at least 50 percent of the Federal title XX funds received by a State must be expended for services to recipients of AFDC, SSI or medicaid.

The 1981 Budget Reconciliation Act also eliminated the following provisions in the title XX program related to targeting services to low income individuals and families:

—With certain exceptions, no person with gross family income higher than 115 percent of the State's median income for a family of four (adjusted for family size) could receive title XX funded services. The exceptions were protective services for abused or neglected children or adults, family planning services and information and referral services.

—States had to charge fees reasonably related to income for services to individuals or families with income higher than 80 percent of the State's median income or the median income of all States, whichever was lower, and they could, at their option, charge fees for services to persons below that income level.

While States no longer have to set eligibility standards or target funds within certain parameters set by Federal title XX law, many States had chosen income eligibility criteria lower than the Federal maximum income eligibility limits under the old title XX law. Therefore, it could be expected that the income eligibility criteria that States now use do not exceed that of previous years and most likely would be lower because of the reductions in the title XX ceiling. Table 2 summarizes the income eligibility criteria for States in fiscal year 1980.

TABLE 2.—ESTIMATED INCOME ELIGIBILITY LEVELS FOR TITLE XX SERVICES FOR A FAMILY OF FOUR PERSONS BY STATE (FISCAL YEAR 1980)

State	1980 median [1] income	Provision of State title XX State plan—fiscal year 1980		
		80 percent of median income	Maximum income level (percentage of median income)	Most or all services available to this income level (percent)
Alabama	16,629	13,303	65	65
Alaska	32,119	25,695	([2])	([2])
Arizona	19,101	15,281	80	80
Arkansas	15,068	12,054	80	80
California	20,858	16,686	115	80
Colorado	20,181	16,145	74	74
Connecticut	20,469	16,375	80	80
Delaware	18,245	14,598	67	67
District of Columbia	19,047	15,238	85	80
Florida	17,874	14,299	54	50
Georgia	16,835	13,468	80	61
Hawaii	21,718	17,374	60	60
Idaho	16,601	13,281	80	80
Illinois	20,243	16,194	115	80
Indiana	19,131	15,305	80	80
Iowa	18,441	14,753	62	50
Kansas	18,379	14,703	80	80
Kentucky	16,264	13,011	80	80
Louisiana	16,511	13,209	58	58
Maine	15,025	12,020	115	80
Maryland	21,193	16,954	115	80
Massachusetts	19,508	15,606	76	51
Michigan	20,908	16,726	80	80
Minnesota	20,715	16,572	115	60
Mississippi	14,635	11,708	115	80
Missouri	17,862	14,290	68	68
Montana	16,389	13,111	80	80
Nebraska	16,523	13,218	57	43
Nevada	20,308	16,246	80	80
New Hampshire	18,190	14,552	115	80
New Jersey	21,409	17,127	115	80
New Mexico	16,801	13,441	80	39
New York	18,216	14,573	100	62
North Carolina	16,252	13,002	91	73
North Dakota	16,008	12,806	115	115

TABLE 2.—ESTIMATED INCOME ELIGIBILITY LEVELS FOR TITLE XX SERVICES FOR A FAMILY OF FOUR PERSONS BY STATE (FISCAL YEAR 1980)—Continued

State	1980 median [1] income	Provision of State title XX State plan—fiscal year 1980		
		80 percent of median income	Maximum income level (percentage of median income)	Most or all services available to this income level (percent)
Ohio	19,195	15,356	80	80
Oklahoma	17,144	13,715	56	56
Oregon	19,771	15,817	115	115
Pennsylvania	18,348	14,678	115	50
Rhode Island	17,910	14,328	75	40
South Carolina	16,573	13,258	80	80
South Dakota	15,733	12,586	115	115
Tennessee	15,677	12,542	115	70
Texas	18,930	15,144	70	70
Utah	18,250	14,600	115	67
Vermont	16,381	13,105	79	65
Virginia	19,244	15,395	70	50
Washington	20,207	16,166	80	80
West Virginia	16,793	13,434	115	80
Wisconsin	20,109	16,087	70	70
Wyoming	20,755	16,604	50	50

[1] The median income for a family of four in the 50 States and the District of Columbia, applicable to the period October 1, 1979, through September 30, 1980, was $18,723.

[2] Universal.

Source: Department of Health and Human Services.

In fiscal year 1980, 27 percent of those receiving title XX services were AFDC recipients; 11 percent were SSI recipients; 4 percent were medicaid recipients who were not AFDC or SSI recipients; 21 percent of the recipients received services provided without regard to income or welfare status; and 37 percent were eligible according to income criteria.

TABLE 3.—NUMBER OF STATES PROVIDING EACH TYPE OF SERVICE, FISCAL YEAR 1982

Adoption	42	Legal	20
Case management	14	Placement	25
Counseling	47	Protective and emergency—adult	47
Day care—adult	38	Protective and emergency—child	51
Day care—child	51	Recreational	16
Diagnostic and evaluation	13	Residential care treatment	23
Employment, education and training	40	Services to unmarried parents	15
Family planning	47	Socialization	16
Foster care—adult	17	Special services:	
Foster care—child	35	Alcohol/drug	14
Health related	37	Blind	7
Home based services (Homemaker, chore and home health related)	51	Children and youth	6
Home delivered/congregate meals	28	Deaf and disabled	22
Housing improvement	22	Juvenile delinquent	10
Information and referral	51	Transportation	36

Source: Department of Health and Human Services.

TYPES OF SOCIAL SERVICES PROVIDED UNDER TITLE XX

Under the title XX social services block grant the Department of Health and Human Services has chosen to establish very minimal reporting requirements for the States. Therefore, there is very limited information on the use of title XX funds by the States in fiscal years 1982 or 1983. See Appendix I for a more complete discussion of States' response to title XX funding reductions. Since most States utilized the comprehensive annual services plan which was required under the old title XX law to prepare the pre-expenditure report for fiscal year 1982 under the title XX block grant there is some information on the number of States providing certain types of social services. This information is shown in table 3. Four services were provided in every State in fiscal year 1982. They included: child day care, information and referral services, protective services for children, and home based services such as homemaker and chore services. Family planning, counseling services and protective and emergency services for adults were provided by 47 States under their fiscal year 1982 title XX program. Fiscal year 1979 is the most recent year when data is available on the percentage of total title XX dollars spent for various types of social services. This information is shown in table 4.

Day care services for children consumed about 21 percent of all Federal funds spent for title XX in fiscal year 1979. Home based services, such as homemaker/chore services, accounted for about 16 percent of all Federal funds in 1979. Protective services and other services related to child foster care accounted for another 16 percent.

Homemaker/chore services includes, for example, an individual trained by the local welfare agency to go into the home of an aged or disabled individual a few hours a week to assist with meal preparation, cleaning, and personal care to enable them to remain in their own home or apartment instead of having to live in an institution.

Protective services for children includes the activities of a child-welfare caseworker who is responsible for investigating and managing cases of child abuse or neglect. For example, a caseworker may visit a home after reports are received from a doctor or a neighbor of possible child abuse and determine whether the home situation warrants recommending removal of the children and placement in foster care.

In another situation, the caseworker will have to determine whether the child care training provided by a private family service agency to a teenage mother enables her to care for her two children who currently are in foster care.

In another situation, the caseworker may have to arrange for an emergency caretaker to stay with some children in their own home instead of being placed in an institution while their mother is in a hospital receiving emergency medical care.

Although title XX provides discretion to States to define services to accomplish the goals of the title XX program, there are certain limitations. Title XX funds may not be used:

(1) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility;

(2) for the provision of cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of a social service, or temporary emergency shelter provided as a protective service);

(3) for payment of the wages of any individual as a social service (other than payment of the wages of welfare recipients employed in the provision of child day care services);

(4) for the provision of medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug dependent individual) unless it is an integral but subordinate part of a social service;

(5) for social services (except services to an alcoholic or drug dependent individual or rehabilitation services) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution;

(6) for the provision of any educational service which the State makes generally available to its residents without cost and without regard to their income;

(7) for any child day care services unless such services meet applicable standards of State and local law; or

(8) for the provision of cash payments as a service (except as otherwise provided in (2) above).

The Secretary of the Department of Health and Human Services may grant a State's request to waive the prohibition against the use of title XX funds for medical services or against the purchase or improvement of land or buildings where it is found that extraordinary circumstances justify such uses.

TABLE 4.—PERCENTAGE DISTRIBUTION OF TITLE XX DOLLARS SPENT ON EACH SERVICE AND PERCENTAGE FOR EACH CASH SERVICE SPENT BY RECIPIENT CATEGORY—OCTOBER 1978 TO SEPTEMBER 1979

Services	Percentage of total dollars spent for this service	Percent AFDC	Percent income eligibles	Percent SSI	Percent medicaid	Percent without regard to income
Adoption services	0.80	44	26	1	14	14
Case management	1.94	33	27	13	4	23
Chore services	5.00	3	23	64	5	([1])
Counselling services	7.20	28	41	11	7	13
Day care—adults	1.51	18	37	39	5	1
Day care—children	21.08	45	51	1	1	2
Diagnostic and evaluative services	.51	23	49	16	4	8
Education and training services	5.14	16	38	38	5	3
Emergency services	.54	35	22	6	3	34
Employment related medical services	.34	89	11	0	0	0
Employment services	2.71	20	41	35	3	1
Family planning	2.49	10	68	([1])	2	20
Foster care—adults	.54	8	12	61	10	10
Foster care—children	5.60	41	26	4	17	12
Health-related services	2.77	39	20	30	8	3
Home-delivered congregate meals	.57	1	56	40	2	2
Homemaker services	11.20	7	19	70	3	2
Home management	1.17	43	24	23	8	4
Housing improvement	.88	61	19	14	2	3
Legal services	1.08	40	44	5	3	9
Placement services	2.60	32	20	18	17	13
Protective services—adults	3.11	19	8	24	3	46
Protective services—children	10.05	23	6	1	1	69
Recreational services	.23	33	43	16	5	3
Residential care and treatment	4.86	30	33	14	11	12
Services to unmarried parents	.17	36	44	2	6	13
Socialization services	1.20	26	33	20	5	16
Special services—alcohol and drug	.40	4	77	5	2	12
Special services—blind	.14	1	37	58	4	([1])
Special services—children and youth	.48	27	36	1	1	34
Special services—disabled	1.08	5	48	43	3	1
Special services—juvenile delinquents	.22	34	38	1	13	14
Transitional services	.11	2	64	16	6	12
Transportation	1.91	25	34	34	5	2
Vocational rehabilitation	.17	93	7	0	0	0
WIN medical examinations	.26	97	3	0	0	0
Other	.74	8	33	25	3	32
Total/average	100.00	27	32	22	5	14

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[1] Less than 0.5 percent.

Section 13. Child Welfare, Foster Care and Adoption Assistance Program—Title IV, Parts B and E

Although child protective services in America date back to the 19th century, the first protective services were provided by voluntary, private organizations. The passage of the 1935 Social Security Act was an impetus for greater State involvement in public child protective services. During the following two decades, 35 States enacted statutes assigning responsibility for the protection and care of neglected children to State agencies. The development of public protective services also was accelerated by the 1962 amendments to the Social Security Act which required that each State extend child welfare services to all political jurisdictions within the State, and which made aid to families with dependent children (AFDC) foster care funds and services available to abused and neglected children from families who were receiving, or were potentially eligible for AFDC. The 1974 amendments to the Social Security Act, which established the title XX social services program, required that each State provide child protective services on a statewide basis.

There are an estimated 500,000 children in the United States who are in foster care homes or institutions. About 20 percent of this total receive support under the aid to families with dependent children foster care program. Table 4 shows the average monthly number of AFDC foster care children in each State for the quarter ending June 30, 1982. Since the percent of the foster care children in a State for which a State claims Federal matching funds varies greatly, the table does not necessarily reflect the relative number of the total foster care populations in the States.

The Federal share of support for AFDC-foster care children was $349 million in fiscal year 1981, and States are estimating that they will claim approximately $346 million in fiscal year 1982 and $395 million in fiscal year 1983. Column 4 of tables 1, 2, and 3 show State-by-State estimated State claims for foster care for fiscal years 1981–83. In most States the Federal matching rate for foster care maintenance payments is the same as the medicaid matching rate for the State. The average Federal share for all States is about 55 percent.

Family foster care accounts for approximately 55 percent of Federal expenditures (75 percent of placements); foster care group homes and other institutions account for 45 percent of Federal expenditures (but only 25 percent of placements). In a 1982 survey of States' family foster care reimbursement rates it was found that, for example, for a 6-year-old child in foster care the monthly rate was between $150 and $200 in 30 States. In 13 States the family foster care rate for a 6-year-old child was over $200, and between $120 and $150 in another 8 States. Most States also provide additional payments to foster parents who provide care for handicapped or other children with special needs.

In hearings on the child welfare services program and foster care program in 1977 and in 1979, the Subcommittee on Public Assistance and Unemployment Compensation received extensive testimony on the need to improve the quality of services available to families and children. The testimony made clear that there was a need not only for improved Federal funding, but also for new requirements to assure that State programs include alternatives to foster care, and protections for children who, nonetheless, must be placed in foster care.

ENACTED CHILD WELFARE AND FOSTER CARE REFORMS

The Adoption Assistance and Child Welfare Act of 1980, Public Law 96-272, enacted on June 17, 1980, authorizes a modified foster care program and a new adoption assistance program under a new part E of title IV of the Social Security Act. In the new part E and in the modifications made in the title IV-B child welfare services program, a comprehensive set of services, procedures, and safeguards are described which all States are to implement within the next several years. In enacting the new law, Congress anticipated that the funding for the title IV-B child welfare services program would steadily increase from $56 million in fiscal year 1979 to reach $266 million by fiscal year 1983. These anticipated increases in Federal funds for title IV-B child welfare services were to provide States initially with some additional resources to assist them in implementing the described services, procedures and safeguards. Also the availability of the funds to the States was structured to provide States financial incentives to implement them as quickly as possible. However, while the title IV-B appropriation increased to $163 million for fiscal year 1981, it has been $156 million for both fiscal year 1982 and 1983.

As part of the initial effort to improve the situation for children currently in foster care, the new law provides for States to conduct an inventory of all children who have already been in foster care for over 6 months to determine whether current placement is appropriate and the services needed. In addition, each State is to implement a foster care information system to insure that information on the foster children's characteristics and the goals of the placement of each child is readily available to caseworkers and administrators.

The new law provides that a case plan is to be developed for each foster care child describing the services that will be provided to the family and child to improve the conditions in the home and meet the treatment needs of the child while in foster care. It also requires that there be an independent administrative review of the case every 6 months to determine the continuing appropriateness of the services, to determine the continuing necessity for placement in care, and to set a date by which the child can be returned home, freed for adoption or otherwise permanently placed. There must also be a mandatory dispositional hearing within 18 months of the original placement of the child in foster care. This hearing must be held in a family or juvenile court, or other court of competent jurisdiction or by an administrative body appointed by a court.

In cases where preventive services cannot alleviate the need for out of home placement of a child, the new case plan and case review system is to ensure that a child is to be placed in the least restrictive setting, and in reasonable proximity to his family to increase the chances of the child being returned to his home.

States are to provide family reunification services for foster care children and their families to alleviate the conditions necessitating placement and to enable the child to return home as quickly as possible.

State and local governments are also to provide such preventive services as family counseling, 24-hour crisis intervention for families, and emergency caretakers to provide emergency child care in the home as means to prevent the unnecessary removal of children or extended placement out of the home.

FINANCIAL INCENTIVES TO STATES TO IMPLEMENT IMPROVED CHILD WELFARE SERVICES AND PROCEDURES

There are a number of financial incentives to States to implement the new child welfare and foster care system including the following:

First, the new law provides for the first time a temporary State-by-State ceiling on Federal AFDC funding for foster care in effect for fiscal years 1981–84. This ceiling is intended to create financial incentives to States to implement procedures to reduce unnecessary placement or extended placement in foster care. The Federal ceiling on foster care funds is only in effect when title IV–B child welfare services appropriations reach certain specified levels: $164 million for fiscal year 1981; $220 million for fiscal year 1982; and $266 million for fiscal years 1983 and 1984. In addition, the funding levels for fiscal years 1982 to 1984 must be provided on an advance basis. The foster care ceiling was in effect for fiscal year 1981. However, the foster care ceiling was not in effect for fiscal year 1982 and is not in effect for fiscal year 1983 given the funding level for each year of $156,326,000.

A State has the following options in determining the ceiling most favorable to them: (1) the State's fiscal year 1978 Federal foster care funds increased by 33⅓ percent for fiscal year 1981, and increased thereafter by twice the increase in the CPI each year but not to exceed 10 percent each year; (2) the State's share of $100 million relative to its population under 18; or (3) for those States with foster care caseloads below the national average, the State's funds increased by a percent equal to its caseload growth but not more than 10 percent, plus the increase provided in (1): The mandatory foster care ceiling that was in effect in fiscal year 1981 and the optional ceiling in 1982 and 1983 are shown for each State in column 1 of tables 1, 2 and 3.

Second, while a State can receive its share of $141 million of title IV–B appropriations without conducting the inventory, without having an operational information system and without case planning, case review, and family reunification services, a State cannot receive its share of title IV–B appropriations in excess of $141 million unless it has in place such procedures and services. In addition, when title IV–B appropriations reach the authorized maximum of $266 million for 2 consecutive years, a State could continue to receive additional funding over its share of $56.5 million only if it has also implemented a preventive services program designed to prevent the need for removing children from their natural homes.

Third, the new law establishes more specific State plan requirements under the new title IV-E authorization for foster care. Effective October 1, 1983, for a State to be eligible for Federal funds for AFDC related children in foster care, the State title IV-E State plan must provide that prior to placement in foster care reasonable efforts will be made, in the case of such children, to eliminate the need for the removal of the child from the home, to make it possible for the child to return to his home and that there will be a case plan and a case review for each such child.

Fourth, States which implement the child welfare/foster care services and procedures are able to claim, through September 30, 1983, Federal foster care matching funds for children who are placed in foster care under a voluntary placement agreement between the agency and parents. Under the old law, eligibility for Federal foster care funds was limited to those children removed from the home as a result of a judicial determination that continuance in the home would be contrary to the child's welfare. Twenty-two States have indicated that they may claim Federal matching funds in fiscal year 1983 for voluntarily placed children.

Fifth, States gain flexibility in the use of Federal foster care funds under the foster care ceiling if they have implemented the child welfare/foster care services and procedures. A portion of the Federal foster care matching funds made available under the ceiling which are not used for foster care maintenance can be used for IV-B child welfare services. In years when the IV-B child welfare services appropriation is insufficient to trigger a mandatory foster care ceiling a State can opt for a voluntary ceiling to gain the option to use foster care funds for child welfare services. The provision in the law which provides States this option expires September 30, 1984, concurrently with the foster care ceiling provision. Under the optional foster care ceiling, States cannot transfer more foster care funds to title IV-B services than an amount which, together with the IV-B funds it receives, exceeds the amount of IV-B funds it would have received if the IV-B appropriation for such year had been sufficient to require a ceiling on foster care funds in all States.

ADOPTION ASSISTANCE PROGRAM

The new law required all States to establish an adoption assistance program under the new title IV-E no later than October 1, 1982. Federal matching funds (at the same rate as applied to medicaid in the State) are available for a child with "special needs" placed in adoption who was eligible for SSI, AFDC or AFDC foster care, including voluntarily placed children. "Special needs" children includes those, for example, who are difficult to place because of ethnic background, age, membership in a minority or sibling group or the presence of physical, mental or emotional handicaps. Children receiving adoption assistance payments are also eligible for medicaid.

IMPLEMENTATION OF CHILD WELFARE AND FOSTER CARE REFORMS

Interim regulations to implement Public Law 96-272 were published in December 1980, by then Secretary of Health and Human Services, Harris. However, those regulations were subsequently withdrawn by Secretary Schweiker and final regulations were not published until July 1982.

Section 427 of title IV-B specifies the child welfare services and foster care protections and procedures which a State must be found to be providing before it can qualify for certain of the financial incentives described earlier; that is, a State qualifying for its share of title IV-B appropriations in excess of $141 million (fiscal year 1981 IV-B appropriations were $163.5 million) or being permitted to transfer funds from its foster care ceiling allotment for a given year to use for child welfare services. States were notified by HHS officials in June 1981 that instead of the Department conducting reviews at that time of States child welfare and foster care programs to determine if a State was actually providing the service and procedures required under section 427, States would be allowed to "self certify" compliance.[1] Initially, 34 States "self certified" that in fiscal year 1981, they were in compliance with the section 427 provisions of the new law.

In June 1982, HHS officials provided material to their regional offices for use in validating States certification of compliance which had been submitted to HHS approximately a year earlier. As of January 1983, 21 States have received full or conditional approval for fiscal year 1981 following on-site reviews by Department officials; two States have been disapproved; a final decision has not been made for six States; and five States have withdrawn their "self certification."

Forty-three States have certified compliance with section 427 for fiscal year 1982 and 44 States have certified for fiscal 1983 and the following years. As of January 1983, eight States had received Federal approval as complying with the provisions of section 427 for fiscal year 1982. Column 3 of tables 1, 2, and 3 shows the State-by-State information on the States that have "self certified" and their status as to approval by the Department.

Columns 2 and 4 of tables 1, 2, and 3 show State-by-State data related to the actual financial incentives for States that are found by HHS validation of States' "self-certification" to have met the section 427 requirements. Column 2 shows the amount of title IV-B funds a State receives if they are approved and thus can qualify for their share of the full appropriation as shown in the upper figure for each State as compared to their allocation under the $141 million limit as shown in the bottom figure in parentheses. Column 4 shows those States that have or expect to exercise the option under the mandatory foster care ceiling in fiscal year 1981 or the optional ceiling in 1982 and 1983 to transfer a portion of the allotment they receive under a foster care ceiling to be used for title IV-B child welfare services.

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[1] Because of concern about the "self certification" procedure (a procedure used primarily in programs administered as block grants) and the then lack of regulations to implement Public Law 96-272, in February 1982 the members of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means asked the General Accounting Office to conduct a study for the Congress regarding the implementation of the law. Included in the June 1982 material provided to regional officials it was stated that the self-certification was necessary for fiscal year 1981 because "the Department had not yet published final regulations, and other logistical constraints would have made on-site compliance reviews impossible." The GAO report is expected to be sent to Congress by March 1983.

As shown in column 4 of tables 1, 2, and 3, 15 States transferred $79 million of foster care funds to child welfare services in fiscal year 1981, and it is estimated that 24 States will transfer $21 million in fiscal year 1982, and an estimated 25 States will transfer $26 million in fiscal year 1983.

All of the States but one had established adoption assistance programs by October 1982 as required. As shown in column 5 of table 3, 26 States have estimated that they will submit a total of $5 million of claims for adoption assistance for fiscal year 1983.

TABLE 1.—FISCAL YEAR 1981 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATON OF CHILD WELFARE REFORMS (PUBLIC LAW 96-272) STATE BY STATE

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV-B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]: State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV-B services) [3]	Col. 5.—Adoption assistance funds [5]
Total	387,627	163,550	Certified—29	347,868	442
		(141,000)	(HHS: 21 approved; 6 pending; 2 denied).	(79,110)	
Alabama	1,880	3,408		1,811	
		(2,936)			
Alaska	233	283		205	
		(253)			
Arizona	1,203	2,015	Yes	1,128	
		(1,741)	(Pending)		
Arkansas	1,020	2,017	Yes	957	
		(1,742)	(Approved)	(467)	
California	44,218	13,318		45,059	
		(11,447)			
Colorado	1,854	1,954	Yes	1,854	
		(1,688)	(Approved)	(1,066)	
Connecticut	2,220	1,785	Yes	1,755	
		(1,543)	(Approved)		
Delaware	610	435		472	
		(384)			
District of Columbia	645	382		645	
		(338)			
Florida	3,558	5,716		1,680	
		(4,919)			
Georgia	3,118	4,446		2,532	
		(3,828)			

TABLE 1.—FISCAL YEAR 1981 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATON OF CHILD WELFARE REFORMS (PUBLIC LAW 96–272) STATE BY STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV–B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV–B services) [3]	Col. 5.—Adoption assistance funds [5]
Hawaii	438	659		20	
		(575)			
Idaho	492	864		383	
		(752)			
Illinois	5,165	6,909	Yes	5,060	
		(6,012)	(Approved)		
Indiana	2,547	4,091		1,497	
		(3,523)			
Iowa	1,648	2,138	Yes	1,435	
		(1,846)	(Approved)	(412)	
Kansas	3,547	1,625	Yes	3,266	
		(1,406)	(Approved)		
Kentucky	2,665	3,029	Yes	2,538	
		(2,611)	(Approved)	(840)	
Louisiana	3,724	3,777		3,330	
		(3,254)			
Maine	2,411	994		2,047	
		(863)			
Maryland	4,330	2,669	Yes	3,458	
		(2,302)	(Approved)		
Massachusetts	3,741	3,699		2,303	
		(3,186)			
Michigan	21,807	6,437	Yes	17,597	340
		(5,538)	(Pending)		
Minnesota	4,566	2,949		3,772	42
		(2,542)			
Mississippi	1,287	2,627		963	
		(2,266)			
Missouri	3,125	3,590	Yes	3,111	
		(3,093)	(Approved)	(957)	
Montana	783	716	Yes	703	
		(625)	(Approved)		
Nebraska	1,076	1,204		928	
		(1,044)			
Nevada	446	493		370	
		(434)			
New Hampshire	718	735		590	
		(641)			
New Jersey	3,196	4,288	Yes	2,405	
		(3,692)	(Approved)	(1,371)	
New Mexico	649	1,222		107	
		(1,059)			

TABLE 1.—FISCAL YEAR 1981 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATON OF CHILD WELFARE REFORMS (PUBLIC LAW 96-272) STATE BY STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV-B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV-B services) [3]	Col. 5.—Adoption assistance funds [5]
New York	161,318	10,758	Yes	161,318	
		(9,249)	(Approved)	(61,693)	
North Carolina	2,579	4,651		1,971	
		(4,004)			
North Dakota	600	586	Yes	564	
		(513)	(Approved)		
Ohio	4,930	7,680	Yes	4,078	
		(6,605)	(Pending)		
Oklahoma	1,304	2,281	Yes	983	
		(1,969)	(Approved)	(144)	
Oregon	6,706	1,764	Yes	6,706	
		(1,525)	(Pending)	(2,726)	
Pennsylvania	50,031	7,748		30,800	
		(6,664)			
Rhode Island	393	701	Yes	125	
		(612)	(Denied)		
South Carolina	1,448	2,747	Yes	1,414	
		(2,369)	(Approved)	(809)	
South Dakota	649	661	Yes	507	
		(578)	(Approved)		
Tennessee	2,910	3,700	Yes	2,910	
		(3,187)	(Approved)	(800)	
Texas	6,536	10,321		5,150	
		(8,873)			
Utah	807	1,455	Yes	805	
		(1,259)	(Approved)	(362)	
Vermont	897	475	Yes	897	
		(418)	(Pending)	(225)	
Virginia	3,874	3,689	Yes	3,181	
		(3,178)	(Approved)		
Washington	3,970	2,494	Yes	3,895	60
		(2,152)	(Approved)	(2,082)	
West Virginia	1,139	1,575	Yes	964	
		(1,363)	(Approved)		
Wisconsin	8,395	3,499		7,553	
		(3,015)			
Wyoming	221	374	Yes	65	
		(331)	(Approved)	(155)	
Puerto Rico [6]		5,258			
		(4,526)			
Guam [6]		252			
		(226)			

TABLE 1.—FISCAL YEAR 1981 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATON OF CHILD WELFARE REFORMS (PUBLIC LAW 96–272) STATE BY STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV–B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV–B services) [3]	Col. 5.—Adoption assistance funds [5]
Virgin Islands [6]		225 (203)			
Nothern Marianas		103 (98)			

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[1] Title IV–B appropriation was $163.5 million, which was sufficient to trigger the mandatory foster care ceiling for fiscal year 1981.

[2] Includes, for those States that "self certified" implementation of section 427 child welfare protections, funds that they received by the reallocation of funds not distributed because some States were not eligible for funds above their share of $141 million.

[3] States which have not implemented the section 427 child welfare protections are eligible only for their share of $141 million of title IV–B child welfare services funds, and cannot transfer funds under a mandatory or optional foster care ceiling to be used for title IV–B child welfare services. If a State has implemented the child welfare protections and accepted an optional foster care ceiling, it cannot transfer more funds to title IV–B services than an amount which, together with the IV–B funds it receives, exceeds the amount of IV–B funds it would have received if the IV–B appropriation for such year had been sufficient to require a ceiling on foster care funds in all the States. In fiscal years 1982 and 1983, the maximum a State could transfer is, in effect, a State's share of $110 million of title IV–B funds; i.e., the difference between the $156 million IV–B appropriation and the $266 million that had to be appropriated to trigger a mandatory ceiling.

[4] Information regarding State's "self certification" and the Department of Health and Human Services reviews is as of February 1, 1983.

[5] States had until October 1, 1982, to begin an adoption assistance program under title IV–E of the Social Security Act; however, most States had some kind of State adoption assistance program prior to that time.

[6] Puerto Rico, Guam, and the Virgin Islands are restricted on the amount of funds they may receive for foster care by the overall limitation for funding of cash assistance in each jurisdiction under section 1108 fo the Social Security Act.

TABLE 2.—FISCAL YEAR 1982 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (PUBLIC LAW 96–272) STATE-BY STATE

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV–B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV–B services) [3]	Col. 5.—Adoption assistance funds [5] (average number child./mo.)
Total	422,184	156,326 (141,000)	Certified—43 (HHS: 8 approved; 1 pending).	349,216 (20,560)	3,418 (1,324)
Alabama	2,068	3,277 (2,955)		2,293	
Alaska	223	259 (240)		476	
Arizona	1,243	2,004 (1,809)	Yes	1,497	157 (71)

TABLE 2.—FISCAL YEAR 1982 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (PUBLIC LAW 96–272) STATE-BY-STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV–B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV–B services) [3]	Col. 5.—Adoption assistance funds [5] (average number child./mo.)
Arkansas	1,053	1,929	Yes	1,054	24
		(1,742)		(600)	(15)
California	48,640	12,940		57,909	
		(11,646)			
Colorado	2,039	1,907	Yes	1,444	
		(1,722)		(767)	
Connecticut	2,442	1,697	Yes	1,810	
		(1,534)	(Approved)	(300)	
Delaware	671	436	Yes	489	
		(399)		(153)	
District of Columbia	709	347		8,978	
		(319)			
Florida	3,700	5,741	Yes	3,400	
		(5,171)		(1,500)	
Georgia	3,430	4,368	Yes	5,156	
		(3,936)			
Hawaii	433	666		30	
		(607)			
Idaho	542	851	Yes	498	
		(772)		(240)	
Illinois	5,083	6,592	Yes	3,789	
		(5,937)			
Indiana	2,539	3,885		889	
		(3,502)			
Iowa	1,812	2,002	Yes	1,649	
		(1,808)	(Approved)	(376)	
Kansas	3,902	1,552	Yes	3,736	
		(1,403)	(Approved)	(500)	
Kentucky	2,932	2,964	Yes	2,507	41
		(2,673)		(1,209)	(48)
Louisiana	4,097	3,572		4,453	
		(3,220)			
Maine	2,652	953		2,267	
		(864)			
Maryland	4,763	2,573	Yes	3,831	106
		(2,321)		(1,045)	(114)
Massachusetts	4,115	3,549		NA	
		(3,199)			
Michigan	23,988	5,915	Yes	24,118	2,226
		(3,327)			(669)
Minnesota	5,023	2,782	Yes	4,477	235
		(2,509)		(683)	(73)

TABLE 2.—FISCAL YEAR 1982 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (PUBLIC LAW 96–272) STATE-BY-STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV–B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]: State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV–B services) [3]	Col. 5.—Adoption assistance funds [5] (average number child./mo.)
Mississippi	1,277	2,482 (2,239)		1,096 (200)	
Missouri	2,971	3,433 (3,095)	Yes (Approved)	2,989 (915)	
Montana	861	668 (608)	Yes	1,177	
Nebraska	1,068	1,146 (1,038)	Yes (Approved)	1,773	210 (85)
Nevada	490	469 (429)		438	
New Hampshire	790	703 (639)	Yes	816	
New Jersey	3,123	4,097 (3,692)	Yes	3,060 (1,000)	
New Mexico	653	1,162 (1,052)	Yes	670 (456)	
New York	177,450	10,437 (9,395)	Yes (Approved)	143,906 (4,329)	
North Carolina	2,597	4,563 (4,112)	Yes	1,898	
North Dakota	660	555 (507)	Yes (Approved)	814	56 (34)
Ohio	4,854	7,212 (6,494)	Yes (Pending)	3,906	
Oklahoma	1,341	2,168 (1,957)	Yes	1,768	
Oregon	7,377	1,689 (1,526)	Yes	5,519 (676)	42 (41)
Pennsylvania	55,034	7,505 (6,758)		11,070	
Rhode Island	381	669 (609)	Yes	895	
South Carolina	1,477	2,694 (2,430)	Yes (Approved)	1,453 (917)	
South Dakota	546	625 (570)	Yes	707	
Tennessee	3,201	3,575 (3,223)	Yes	3,037 (1,300)	
Texas	6,755	10,083 (9,077)	Yes	6,659 (1,033)	
Utah	847	1,480 (1,339)	Yes (Approved)	875 (434)	

TABLE 2.—FISCAL YEAR 1982 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (PUBLIC LAW 96–272) STATE-BY-STATE—Continued

[In thousands of dollars]

State	Col. 1—Foster care ceilings—optional [1]	Col. 2—Title IV-B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3—Implementation of child welfare protections [4]: State certified (HHS action)	Col. 4—Foster care State claims (transfer of foster care funds to IV-B services) [3]	Col. 5—Adoption assistance funds [5] (average number child/mo.)
Vermont	987	469 (429)	Yes	1,083	
Virginia	4,261	3,590 (3,236)	Yes	3,779 (795)	15 (30)
Washington	4,367	2,481 (2,238)	Yes	2,591 (1,007)	306 (141)
West Virginia	1,253	1,549 (1,401)	Yes	1,450	
Wisconsin	9,235	3,345 (3,016)	Yes	8,904	
Wyoming	229	370 (339)	Yes	241 (125)	
Puerto Rico [6]		3,847			
Guam [6]		224			
Virgin Islands [6]		178			
Nothern Marianas		97			

[1] Title IV-B appropriation was $156 million which was insufficient to trigger the mandatory foster care ceiling. Those States, as shown in column 4, which transferred foster care funds to IV-B child welfare services did so within the ceiling amount for that State in addition to the limitation described in footnote 3.

[2] Includes, for those States that "self certified" implementation of section 427 child welfare protections, funds that they received by the reallocation of funds not distributed because some States were not eligible for funds above their share of $141 million.

[3] States which have not implemented the section 427 child welfare protections are eligible only for their share of $141 million of title IV-B child welfare services funds, and cannot transfer funds under a mandatory or optional foster care ceiling to be used for title IV-B child welfare services. If a State has implemented the child welfare protections and accepted an optional foster care ceiling, it cannot transfer more funds to title IV-B services than an amount which, together with the IV-B funds it receives, exceeds the amount of IV-B funds it would have received if the IV-B appropriation for each year had been sufficient to require a ceiling on foster care funds in all the States. In fiscal years 1982 and 1983, the maximum a State could transfer is, in effect, a State's share of $110 million of title IV-B funds, i.e., the difference between the $156 million IV-B appropriation and the $266 million that had to be appropriated to trigger a mandatory ceiling.

[4] Information regarding State's "self certification" and the Department of Health and Human Services reviews is as of February 1, 1983.

[5] States had until October 1, 1982, to begin an adoption assistance program under title IV-E of the Social Security Act; however, most States had some kind of State adoption assistance program prior to that time.

[6] Puerto Rico, Guam, and the Virgin Islands are restricted on the amount of funds they may receive for foster care by the overall limitation for funding of cash assistance in each jurisdiction under section 1108 of the Social Security Act.

TABLE 3.—FISCAL YEAR 1983 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (P.L. 96-272) STATE BY STATE

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV-B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV-B services) [5]	Col. 5.—Adoption assistance funds [6]
Total	460,730	156,326 (141,000)	Certified—44	395,000 (31,750)	5,000
Alabama	2,280	3,251 (2,932)		2,430	
Alaska	250	267 (248)		470	
Arizona	1,240	2,027 (1,831)	Yes	1,720	$112
Arkansas	1,050	1,919 (1,733)	Yes	1,020 (540)	31
California	53,500	13,099 (11,789)		59,300	400
Colorado	2,240	1,933 (1,746)		2,240 (1,290)	
Connecticut	2,690	1,682 (1,520)	Yes	2,690 (1,000)	
Delaware	740	429 (392)	Yes	630 (260)	
District of Columbia	780	343 (315)		1,320	
Florida	3,700	5,925 (5,337)	Yes	3,560 (1,700)	20
Georgia	3,770	4,416 (3,979)		4,480	
Hawaii	430	680 (619)		440 (410)	
Idaho	600	861 (781)	Yes	600 (230)	14
Illinois	5,080	6,554 (5,902)	Yes	9,140	92
Indiana	2,540	3,815 (3,439)	Yes	2,550 (1,450)	
Iowa	1,990	1,959 (1,769)	Yes	1,990 (170)	
Kansas	4,290	1,550 (1,402)	Yes	4,290 (190)	190
Kentucky	3,230	2,926 (2,639)	Yes	3,230 (1,490)	35
Louisiana	4,510	3,621 (3,264)	Yes	5,250	
Maine	2,920	948 (860)	Yes	2,920 (280)	

TABLE 3.—FISCAL YEAR 1983 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (P.L. 96-272) STATE BY STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV-B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV-B services) [3]	Col. 5.—Adoption assistance funds [5]
Maryland	5,240	2,561 (2,310)	Yes	5,240 (170)	57
Massachusetts	4,530	3,498 (3,154		4,530 (10)	
Michigan	26,400	5,790 (5,215)	Yes	27,070	900
Minnesota	5,560	2,748 (2,479)	Yes	6,250	113
Mississippi	1,280	2,461 (2,221)		1,380 (100)	16
Missouri	3,270	3,416 (3,080)	Yes	3,270 (870)	
Montana	950	666 (606)	Yes	1,380	
Nebraska	1,180	1,143 (1,035)	Yes	1,640	105
Nevada	540	488 (446)	Yes	540 (70)	
New Hampshire	870	701 (652)	Yes	870 (170)	
New Jersey	3,120	4,055 (3,655)	Yes	3,200 (560)	120
New Mexico	650	1,175 (1,064)	Yes	650 (480)	
New York	195,200	10,333 (9,301)	Yes	144,750 (7,460)	1,739
North Carolina	2,600	4,533 (4,084)	Yes	2,580 (380)	16
North Dakota	73	552 (503)	Yes	870	69
Ohio	4,850	7,119 (6,411)	Yes	4,990	39
Oklahoma	1,340	2,207 (1,992)	Yes	1,670	
Oregon	8,120	1,686 (1,524)	Yes	6,470 (1,160)	27
Pennsylvania	60,540	7,373 (6,639)		31,090 (5,350)	
Rhode Island	380	657 (598)	Yes	840	70
South Carolina	1,480	2,688 (2,425)	Yes	1,450 (790)	

TABLE 3.—FISCAL YEAR 1983 FOSTER CARE, CHILD WELFARE SERVICES, AND ADOPTION ASSISTANCE FUNDS, AND IMPLEMENTATION OF CHILD WELFARE REFORMS (P.L. 96–272) STATE BY STATE—Continued

[In thousands of dollars]

State	Col. 1.—Foster care ceilings—optional [1]	Col. 2.—Title IV–B child welfare services—full allocation [2] ($141 million allocation) [3]	Col. 3.—Implementation of child welfare protections [4]; State certified (HHS action)	Col. 4.—Foster care State claims (transfer of foster care funds to IV–B services) [3]	Col. 5.—Adoption assistance funds [5]
South Dakota	600	615 (561)	Yes	920	3
Tennessee	3,520	3,534 (3,185)	Yes	3,520 (1,250)	108
Texas	6,750	10,394 (9,357)	Yes	6,540 (350)	40
Utah	850	1,556 (1,407)	Yes	810 (280)	
Vermont	1,090	464 (424)	Yes	1,130	
Virginia	4,690	3,594 (3,240)	Yes	4,690 (1,250)	107
Washington	4,800	2,507 (2,262)	Yes	3,690 (370)	490
West Virginia	1,380	1,531 (1,384)	Yes	1,580	
Wisconsin	10,160	3,316 (2,990)	Yes	10,910	87
Wyoming	230	380 (349)		220 (140)	
Puerto Rico [6]		3,883 (3,500)			
Guam [6]		206 (192)			
Virgin Islands [6]		195 (183)			
Nothern Marianas		94 (92)			

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[1] Title IV–B appropriation was $156 million which was insufficient to trigger the mandatory foster care ceiling. Those States, as shown in column 4, which transferred foster care funds to IV–B child welfare services did so within the ceiling amount for that State in addition to the limitation described in footnote 3.

[2] Includes, for those States that "self certified" implementation of section 427 child welfare protections, funds that they received by the reallocation of funds not distributed because some States were not eligible for funds above their share of $141 million.

[3] States which have not implemented the section 427 child welfare protections are eligible only for their share of $141 million of title IV–B child welfare services funds, and cannot transfer funds under a mandatory or optional foster care ceiling to be used for title IV–B child welfare services. If a State has implemented the child welfare protections and accepted an optional foster care ceiling, it cannot transfer more funds to title IV–B services than an amount which, together with the IV–B funds it receives, exceeds the amount of IV–B funds it would have received if the IV–B appropriation for such year had been sufficient to require a ceiling on foster care funds in all the States. In fiscal years 1982 and 1983, the maximum a State could transfer is, in effect, a State's share of $110 million of title IV–B funds; i.e., the difference between the $156 million IV–B appropriation and the $266 million that had to be appropriated to trigger a mandatory ceiling.

[4] Information regarding State's "self certification" and the Department of Health and Human Services reviews is as of February 1, 1983.

[5] States had until October 1, 1982 to begin an adoption assistance program under title IV-E of the Social Security Act; however, most States had some kind of State adoption assistance program prior to that time.

[6] Puerto Rico, Guam, and the Virgin Islands are restricted on the amount of funds they may receive for foster care by the overall limitation for funding of cash assistance in each jurisdiction under section 1108 of the Social Security Act.

TABLE 4.—AVERAGE MONTHLY NUMBER OF AFDC FOSTER CARE CHILDREN, STATE-BY-STATE

[Quarter ending June 30, 1982]

State	Number of Children	State	Number of Children
Alabama	1,593	Missouri	1,956
Alaska	42	Montana	275
Arizona	437	Nebraska	673
Arkansas	383	Nevada	194
California	17,633	New Hampshire	476
Colorado	557	New Jersey	1,573
Connecticut	783	New Mexico	112
Delaware	269	New York	19,574
District of Columbia	2,034	North Carolina	4,652
Florida	1,328	North Dakota	358
Georgia	1,618	Ohio	3,446
Hawaii	22	Oklahoma	860
Idaho	173	Oregon	1,541
Illinois	NA	Pennsylvania	NA
Indiana	1,461	Rhode Island	395
Iowa	634	South Carolina	465
Kansas	2,412	South Dakota	459
Kentucky	1,497	Tennessee	1,506
Louisiana	1,666	Texas	2,639
Maine	1,000	Utah	200
Maryland	2,046	Vermont	316
Massachusetts	NA	Virginia	2,065
Michigan	5,936	Washington	1,088
Minnesota	1,595	West Virginia	652
Mississippi	3,425	Wisconsin	3,031
		Wyoming	35
		Total	96,992

APPENDIX H. EXPLANATION AND IMPACT OF MAJOR CHANGES ENACTED INTO LAW DURING 1982 FOR SPENDING PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

This appendix describes the major legislative changes enacted into law during 1982 which affect the programs with spending authority within the jurisdiction of the Committee on Ways and Means.

Table 1 illustrates the total amount of outlay reductions by major program area. The further taxation of unemployment compensation benefits is included in this table. Table 2 is identical to table 1, except that it illustrates the reduction in outlays as a percentage of prior law outlays. For example, the 5.0 number for the Hospital Insurance (HI) program in fiscal year 1983 would indicate the Federal outlays for the HI program were reduced by 5.0 percent as a result of the legislative changes enacted during 1982. Table 3 is a detailed listing of the budget reductions by provision. These three tables were provided by the Congressional Budget Office and reflect their estimate as of January 1983 of these changes. In some cases this will be different from the estimates used during the actual reconciliation process.

Table 4 illustrates the number of individuals and the average reduction in benefits as a result of the legislative changes. Most of these numbers were also provided by the Congressional Budget Office. The reduction in benefits is an average first full year impact number for the individuals affected. The average reduction is computed as the average amount of benefits lost for those losing benefits in the first month. This is a reasonable proxy for the average reduction in benefits for the first year the affected individuals lose benefits.

Table 5 presents the revenue changes enacted during 1982 associated with the unemployment and hospital insurance trust funds. With an extension of the target growth limits for reimbursement to hospitals, the HI trust fund is improved by $37.8 billion over this time period. Without the extension, the improvement is $31.0 billion. Nevertheless, even with these changes the HI trust fund faces severe difficulties by 1987. These results are shown in table 6. Table 7 presents the net unified budget impact of the 1982 legislative changes.

The remainder of the text describes for each major provision in the law which underwent change: prior law, an explanation of the law as amended, the effective date of the change in the law and the impact the change will have upon the budget and where possible the number of individuals affected and the average loss in benefits.

TABLE 1.—OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1982 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

[In millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Trade adjustment assistance	0	0	0	0	0
Social security	75	75	45	85	105
Unemployment compensation [2]	1,983	−252	−374	−789	−829
Aid to families with dependent children and child support enforcement	−145	−213	−287	−304	−312
Supplemental security income	−95	−109	−119	−119	−115
Medicare:					
Hospital insurance	−2,056	−3,198	−4,544	−3,899	−2,491
Supplementary medical insurance	−332	−896	−1,537	−1,940	−2,185
Total	−570	−4,593	−6,789	−6,966	−5,827

[1] See footnotes on table 3.

[2] Includes impact of lowering unemployment compensation thresholds. Does not include revenue increases to the UC trust funds.

TABLE 2.—PERCENTAGE CHANGE IN OUTLAYS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1982 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

	Fiscal year				
	1983	1984	1985	1986	1987
Trade adjustment assistance	0	0	0	0	0
Social security	(²)	(²)	(²)	(²)	(²)
Unemployment compensation [3]	7.2	−1.1	−1.5	−3.5	−3.7
Aid to families with dependent children and child support enforcement	−1.7	−2.5	−3.3	−3.3	−3.3
Supplemental security income	−1.1	−1.4	−1.4	−1.4	−1.3
Medicare:					
Hospital insurance	−5.0	−6.7	−8.4	−6.4	−3.6
Supplementary medical insurance	−1.8	−4.1	−6.0	−6.5	−6.3
Total	−.2	−1.6	−2.2	−2.1	−1.6

[1] See footnotes on table 3. These percentages were computed using the CBO baseline estimates presented in Table 6 of Section 1 (Part 1) except for the low income energy assistance program.

[2] Less than 0.1 percent.

[3] Includes impact of lowering unemployment compensation thresholds. Does not include revenue increases to the UC trust funds.

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED OUTLAY SAVINGS ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982

[— means increase in outlays; in millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Trade Adjustment Assistance					
Eligibility criteria	0	0	0	0	0
Social Security					
Continued payment of DI benefits during appeal	−60	−35	20	0	0
Periodic reviews of disability cases	0	0	0	0	0
Report by Secretary	0	0	0	0	0
Evidentiary hearings in reconsiderations of DI benefit terminations	0	0	0	0	0
Conduct of face-to-face reconsiderations	0	0	0	0	0
Public pension offset	−15	−40	−65	−85	−105
Total social security	−75	−75	−45	−85	−105
Unemployment Compensation					
Rounding UC benefits	0	22	21	20	19
Extend Reed Act	0	0	0	0	0
Deferral of interest payment on UC loans	−50	−400	−150	250	250
Treatment of school employees	7	8	9	10	11
Short time compensation	−1	−1	0	0	0
Unemployment benefits paid to ex-service members	−132	−111	−117	−109	−101
Taxation of unemployment compensation benefits	763	734	611	618	650
Federal supplemental benefits	−2,570				
Total unemployment compensation	−1,983	252	374	789	829
Food Stamp and AFDC Impact of UC Provisions	209	0	0	0	0
AFDC					
Round AFDC benefits	9	10	10	10	10
Prorate AFDC benefits	13	14	14	14	14
Military service/AFDC	15	17	17	17	18
Optional job search	5	10	15	15	15
Optional proration of shelter and utilities	43	44	45	46	47
Error rate sanctions	0	0	62	63	63
Exclusion from AFDC income of certain State payments	0	0	0	0	0
Extend WIN demonstration	0	0	0	0	0
Exclude State payments to children	0	0	0	0	0
Technical amendments	−1	0	0	0	0
Exclusion of home energy assistance	−1	−2	−2	0	0
Total AFDC provisions	83	93	161	165	167
Food stamp impact of AFDC provisions [2]	−39	−44	−46	−47	−48

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED OUTLAY SAVINGS ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982—Continued

[– means increase in outlays; in millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
CSE					
Non-AFDC fees	12	16	11	13	14
Military allotments	7	9	10	10	10
Initial month of ineligibility	3	4	4	5	5
Reduce Federal CSE incentive funds and administrative costs	40	91	101	111	116
Technical amendments	0	0	0	0	0
Total CSE provisions	62	120	126	139	145
SSI					
Prorate SSI benefits	30	25	30	30	30
Round SSI benefits	10	20	20	20	20
Coordination with OASDI COLA	30	32	30	30	26
Phase out hold harmless	30	37	45	45	45
Exclude burial plots and contracts	–5	–5	–5	–5	–5
Mandatory passthrough under SSI	0	0	0	0	0
Unnegotiated SSI checks	0	0	–1	–1	–1
Exclusion of home energy assistance	–1	–2	–2	0	0
Total SSI provisions	95	109	119	119	115
Food stamp impact of SSI provisions [2]	–13	–14	–15	–15	–15
Medicare					
Medicare secondary for older workers	88	265	451	680	780
80 percent radiologist/pathologist (medicaid cost of $90 million)	150	210	245	280	315
Elimination of nursing differential	95	110	125	145	165
Hospital-based physicians	6	40	75	110	125
Part B premium as a constant percentage of costs (medicaid cost of $155 million)	35	240	550	600	650
Hospital reimbursement changes [1] (medicaid savings of $460 million)	895	2,380	4,610	3,060	1,740
Elimination of private room subsidy	35	75	80	85	90
Single reimbursement limit for skilled nursing facilities and home health agencies	20	53	62	69	77
Elimination of duplicate payments for outpatient services	75	135	175	210	255
Audit and medical claims review	85	215	215	130	0
Temporary delay in periodic interim payments	750	100	–870	0	0
Reimbursement of assistants at surgery	24	63	113	170	195
Prohibition of payments for ineffective drugs	0	0	0	0	0
Medicare payments to HMO's	0	0	0	0	0
Technical corrections	0	0	0	0	0
Hospice care	–1	–1	16	40	0
Coverage of extended care services	0	0	0	0	0

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED OUTLAY SAVINGS ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982—Continued

[— means increase in outlays; in millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Percentage arrangements (not for hospital-based physicians)	0	17	20	23	26
Prohibit payment for Hill-Burton care	15	17	20	23	26
Prohibiting payment for antiunionization activities	0	0	0	0	0
Lesser of cost or charges	0	0	0	0	0
Extend medicare proficiency exam	0	0	0	0	0
Access to books and records	0	0	0	0	0
Private sector utilization review	0	0	0	0	0
Part B enrollment	([2])	([2])	([2])	([2])	([2])
Subtitle C—Utilization and quality control peer review	0	15	20	20	25
HI tax for Federal employees (outlay savings)	116	160	174	195	207
Total medicare provisions	2,388	4,094	6,081	5,840	4,676

[1] Assumes the "target" reimbursement system is not extended after 3 years.
[2] Negligible cost.

TABLE 4.—NUMBER OF INDIVIDUALS/FAMILIES/INSTITUTIONS AND AVERAGE DOLLARS LOSS PER YEAR FOR SELECTED MAJOR CHANGES ENACTED DURING 1982

Program change	Number affected	Average dollar (full year basis)
Federal supplemental benefits	1.8 million individuals 22.2 million weeks	$116 per week.
AFDC:		
Prorate first month's benefits	175,000 families	$155 per year (first month).
Eliminate military service as basis of eligibility.	10,000 families	$3,150 per year.
Prorating of shelter and utilities	120,000 families	$675 per year.
SSI: Prorate first month's benefits	325,000 families	$88 per year (first month).
Medicare:		
Medicare payments secondary for older workers.	490,000 individuals	$1,070 per year.[1]
Change [illegible] medicare reimbursement to hospitals.	5,800 hospitals	5.3 percent change in medicare revenues.
Medicare coverage of Federal employment.	2.7 million Federal employees.	$325 per year (1.3 percent times average Federal salary).

[1] This may be borne by employers.

TABLE 5.—CONGRESSIONAL BUDGET OFFICE REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR AFFECTING REVENUES TO THE UNEMPLOYMENT AND HOSPITAL INSURANCE TRUST FUNDS 1982

[In millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Unemployment compensation:					
Exclusion from FUTA of wages paid to student interns	(1)	(1)	(1)	(1)	(1)
Exclusion from FUTA of wages paid to certain alien workers	−1	0	0	0	0
Increase in FUTA wage base and tax rate	1,404	2,353	2,857	2,817	2,654
One-year extension of FUTA exemption for certain fishermen	(1)	0	0	0	0
Total unemployment compensation	1,403	2,353	2,857	2,817	2,654
Hospital insurance:					
Medicare coverage for Federal workers	1,134	1,573	1,742	1,993	2,161
Interest on overpayments	25	25	20	20	20
Total hospital insurance	1,159	1,598	1,762	2,013	2,181

[1] Less than $0.5 million.

TABLE 6.—IMPACT OF LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982 UPON THE HOSPITAL INSURANCE TRUST FUNDS

[In millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Hospital Insurance Trust Fund—					
Prior to 1982 changes:					
Assets beginning of year	20,840	6,490	1,117	−7,564	−17,641
Outgo	40,871	47,306	54,051	61,023	68,710
Revenue	26,521	41,933	45,370	50,946	54,624
After 1982 changes:[1]					
Assets beginning of year	20,840	9,775	9,745	8,644	6,418
Outgo	38,941	44,283	49,701	57,343	66,456
Revenue	27,876	44,253	48,600	55,117	59,280
After 1982 changes:[2]					
Assets beginning of year	20,840	9,775	9,745	8,644	8,672
Outgo	38,941	44,283	49,701	55,204	62,352
Revenue	27,876	44,253	48,600	55,232	59,772
Net change in assets at end of year due to 1982 changes[1]	3,285	8,628	16,208	24,059	30,979

TABLE 6.—IMPACT OF LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982 UPON THE HOSPITAL INSURANCE TRUST FUNDS—Continued

[In millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Net change in assets at end of year due to 1982 changes [2]	3,285	8,628	16,208	26,313	37,819

[1] Assumes no extension of target growth limits.

[2] Assumes extension of target growth limits.

TABLE 7.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES OF NET BUDGET IMPACT FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1982

[In millions of dollars]

	Fiscal year				
	1983	1984	1985	1986	1987
Outlay impact (from table 1)	−570	−4,593	−6,789	−6,966	−5,827
Revenue impact (from table 5)	−2,562	−3,951	−4,619	−4,830	−4,835
Offsets (from table 3)	−162	8	−59	7	78
Less transfers to HI trust funds [1]	504	699	774	887	962
Net impact on unified budget deficit	−2,790	−7,837	−10,693	−10,902	−9,622

[1] This is the transfer from general revenues to the hospital insurance trust fund that results from the Federal Government as an employer.

TRADE ADJUSTMENT ASSISTANCE

ELIGIBILITY CRITERIA FOR TRADE ADJUSTMENT ASSISTANCE BENEFITS

Prior law:

Public law 97-35 changed the standard of import causation from "contributed importantly" to "substantial cause" defined as one ". . . which is important and not less than any other cause." This restricted group eligibility to those groups of workers whose unemployment was caused by no factor more important than foreign competition.

Explanation of law as amended by Public Law 97-362:

The Act restores the standard applicable prior to February 9, 1982, for certification by the Department of Labor of workers for benefits under the trade adjustment assistance program. The Act requires that increased imports "contribute importantly" to, rather than be a "substantial cause" of, worker layoffs and sales/production declines of the firm.

Effective date:

The Act will apply retroactively to petitions filed on or after February 9, 1982, until statutory termination of the program on September 30, 1983.

Impact:

No budget impact.

SOCIAL SECURITY

CONTINUED PAYMENT OF DISABILITY BENEFITS DURING APPEAL

Prior law:

A social security disability insurance (DI) beneficiary who was found to be no longer disabled under the provisions of the Social Security Act continued to receive benefits for 2 months after the month in which his eligibility was determined to have ceased. (As an administrative practice, individuals were generally found to be "no longer disabled" no earlier than the month in which the individual was notified of the termination decision.)

The individual could have requested a reconsideration of the decisions, and if the termination was upheld, he could have appealed the decision to an Administrative Law Judge (ALJ). The individual was not eligible for benefits during the appeals process. However, if the initial termination decision was reversed, benefits were paid retroactively.

Explanation of law as amended by Public Law 97-455:

Upon request of the beneficiary, DI benefits and medicare coverage would continue to be paid through the month preceding the month of the decision pursuant to a hearing before an Administrative Law Judge. These additional DI benefits would be subject to recovery as overpayments, subject to the same waiver provisions now in prior law, if the initial termination decision is upheld.

Effective date:

The Act is effective for benefit payments beginning with February 1983 for cases where a termination decision has been made before October 1, 1983, but not beyond June 1984. For beneficiaries whose appeals were pending as of January 12, 1983, benefits could be paid under this provision, but no retroactive payments would be authorized.

Impact:

According to the Congressional Budget Office, this Act will increase outlays by $60 million in fiscal year 1983; by $35 million in fiscal year 1984; and reduce fiscal year 1985 outlays by $20 million. There are no costs beyond those years.

PERIODIC REVIEWS OF DISABILITY CASES

Prior law:

The Social Security Disability Amendments of 1980 required the Secretary of Health and Human Services to review the cases of current disability beneficiaries at least once every 3 years, beginning in January, 1982, to determine whether they were still disabled. Beneficiaries judged to be permanently disabled were to be excluded from this review.

Explanation of law as amended by Public Law 97-455:

The Act authorizes the Secretary to slow down the number of cases sent to the State disability agencies for re-examination below the rate required by the 1980 amendments. The Secretary's determination of the appropriate numbers of cases to be reviewed in each State is based on consideration of the backlogs of such pending reviews, projected numbers of new applicants for disability benefits, and projected staffing levels of State agencies. The State agency must demonstrate a good faith effort to meet appropriate staffing requirements and to process reviews in a timely fashion. The Secretary is to report annually to the House Committee on Ways and Means and the Senate Finance Committee on the determinations made under this section.

Effective date:

January 12, 1983.

Impact:

Negligible budget impact.

REPORT BY SECRETARY

Prior law:

There was no requirement for periodic reports to the Congress by the Secretary of Health and Human Services with respect to continuing disability investigations.

Explanation of law as amended by Public Law 97-455:

The Act requires the Secretary of HHS to report to the Senate Finance Committee and the House Committee on Ways and Means semiannually on the number of: continuing eligibility reviews, termination decisions, reconsideration requests, and termination decisions which are overturned at the reconsideration or hearing level.

Effective date:

January 12, 1983.

Impact:

None.

EVIDENTIARY HEARINGS IN RECONSIDERATIONS OF DISABILITY BENEFIT TERMINATIONS

Prior law:

The Social Security Act provided for initial determinations of disability by the State agencies authorized by the Secretary to make disability decisions, and for continuing reviews of disability by the Secretary or the State agency. The law also provided for a hearing by the Secretary, and subsequent judicial review, for any individual dissatisfied with determinations made by the State agencies or the Secretary.

Explanation of law as amended by Public Law 97-455:

The Act requires the Secretary to provide, beginning no later than January 1, 1984, opportunity for a face-to-face, evidentiary hearing during reconsideration of decisions to terminate benefits for disability beneficiaries. This requirement does not supplant or affect in any way the requirement of existing law for a hearing by an Administrative Law Judge. The provision applies only to reconsiderations of determinations that the beneficiary is not disabled because the physical or mental impairment on which his eligibility is based is found to have ceased, not to have existed or to no longer be disabling.

Effective date:

January 12, 1982.

Impact:

Negligible.

Conduct of Face-to-Face Reconsiderations in Disability Cases

Prior law:

The Social Security Act provided for initial determinations to be made by the State agency or the Secretary, and for hearings conducted by the Secretary and judicial review after such hearings for those individuals dissatisfied with the earlier decisions.

Explanation of law as amended by Public Law 97-455:

The Act requires the Secretary to take all steps necessary to insure public understanding of the face-to-face reconsideration hearings. The Secretary is required to assure that beneficiaries will receive reasonable notice and information as to the time and place of the reconsideration, of the opportunities to be represented by counsel and to introduce evidence at the reconsideration, and of the importance of submitting all available evidence concerning the case at the reconsideration.

Effective date:

January 12, 1983.

Impact:

None.

Public Pension Offset

Prior law:

Prior to 1977 social security spouse's benefits were available only to men who could meet a dependency test and to women, all of whom were presumed to be dependent. These provisions were declared unconstitutional in March 1977 (*Califano* v. *Goldfarb*) since they applied differently to men and women.

The Social Security Amendments of 1977 responded to the *Goldfarb* decision by providing, except for beneficiaries who are covered by the public pension offset exception clause, that social security dependents' benefits which are paid to spouses of retired, disabled, or deceased workers be reduced dollar-for-dollar by an amount equal to any public pension which the spouse received as a result of his or her own employment by a Federal, State or local government which was not covered by social security. (Non-covered government employment was defined as employment not covered under section 210 of the Social Security Act on the last day the spouse was employed by the Government.)

Under the exception clause (which expired December 1, 1982), the offset would not apply if: (1) a beneficiary was either receiving or eligible to receive a Government pension based on non-covered employment for any month in the period December 1977 through November 1982, and (2) the beneficiary, at the time of filing for social security dependents' benefits, met all the requirements for entitlement as they were in effect and being administered in January 1977. The law in January 1977 required men, but not women, to prove they were dependent on their spouses for at least one-half of their support in order to qualify for the spouse benefit.

Explanation of law as amended by Public Law 97-455:

The public pension offset does not apply to an individual who becomes eligible for a public pension prior to July 1983 if that individual is dependent upon his or her spouse for one-half support. The one-half support test is applied according to the pre-1977 law, except that it applies to both men and women.

The Act also requires the Secretary of Health and Human Services to study the pension offset provisions and to report his recommendation for any permanent legislation that may be appropriate by May 15, 1983.

Effective date:

Retroactive to December 1, 1982.

Impact:

According to the Congressional Budget Office, this provision will increase outlays by $15 million in fiscal year 1983; by $40 million in fiscal year 1984; and by $65 million in fiscal year 1985.

UNEMPLOYMENT COMPENSATION

ROUNDING OF UNEMPLOYMENT BENEFITS

Prior law:

Under prior law the States could determine rounding procedures to apply in the calculation of an individual's weekly unemployment benefit.

Explanation of law as amended by Public Law 97-248:

The Act provides that the Federal 50 percent matching share of extended unemployment benefits would not be available on that part of extended unemployment benefit payments which result from a failure on the part of the State to have a benefit structure in which benefits are rounded down to the next lower dollar.

Effective date:

This provision is effective for benefits payable on or after October 1, 1983. States in which there is no legislative session prior to that date will, however, be given additional time before the provision will become effective.

Impact:

CBO estimates savings of $22 and $21 million for fiscal years 1984 and 1985 respectively.

REED ACT FUNDS

Prior law:

Section 903 of the Social Security Act, commonly referred to as the Reed Act, provides for the transfer of any excess Federal Unemployment Tax Act (FUTA) receipts to the individual State accounts in the Unemployment Trust Fund. Each State's share is proportionate to its share of wages subject to FUTA taxes. Excess funds had occurred only three times since the passage of the Reed Act—in 1956, 1957, and 1958. Unobligated State Reed Act account balances totaled some $25 million.

Reed Act funds have been used by the States either to pay unemployment benefits or for administrative purposes. However, authority to use funds credited in 1956 and 1957 for administrative purposes had expired; and authority to use funds credited in 1958 for administrative purposes would have expired on July 1, 1983.

Explanation of law as amended by Public Law 97-248:

The Act extends for 10 years the authority for States to use Reed Act funds for administrative purposes. The Act also permits States that have used such funds to pay unemployment benefits to reestablish a Reed Act account.

Effective date:

September 3, 1982.

Impact:

No budget impact.

EXCLUSION FROM FUTA OF WAGES PAID TO STUDENT INTERNS

Prior law:

Under prior law, wages paid to a student under age 22 who was enrolled full-time in a work-study or internship program were exempt from the Federal unemployment tax (FUTA) if the work performed was an integral part of the student's academic program.

Explanation of law as amended by Public Law 97-248:

The Act exempts from FUTA tax any wages paid to a student enrolled full-time in a work-study or internship program, regardless of age, for work that is an integral part of the student's academic program. In addition, the Act exempts from FUTA, for tax year 1983 only, the wages paid by certain summer camps to employees who are full-time students.

Effective date:

September 3, 1982.

Impact:

The provision is estimated to reduce budget receipts by less than $0.5 million annually.

EXTENSION OF EXCLUSION FROM FUTA OF WAGES PAID TO CERTAIN ALIEN FARMWORKERS

Prior law:

Under the Immigration and Naturalization Act, residents of foreign countries who did not intend to abandon such residency could have been admitted to the U.S. to work for a temporary period of time during peak agricultural crop seasons. Prior to 1982, wages paid to such alien farmworkers were excluded from Federal unemployment (FUTA) taxes.

Explanation of law as amended by Public Law 97-248:

The Act extends for 2 years, from January 1, 1982, to January 1, 1984, the provision of prior law that excluded wages paid to certain alien farmworkers from FUTA wages.

Effective date:

January 1, 1982.

Impact:

The provision is estimated to reduce receipts by $1 million in fiscal year 1983 and to have no impact in fiscal years 1984 and 1985.

UNEMPLOYMENT COMPENSATION (UC) FINANCING

(A) INCREASE IN FEDERAL UNEMPLOYMENT TAX WAGE BASE AND RATE

Prior law:

The Federal/State unemployment compensation system is financed by separate Federal and State payroll taxes on employers. Administrative funds derived from the Federal payroll tax and benefits are paid mainly from State payroll taxes.

Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 3.4 percent on the first $6,000 of wages was levied on employers who, in the current or last year, employed at least one person for 20 weeks or had a quarterly payroll of at least $1,500. If a State's unemployment compensation program met the requirements of Federal law, employers in the State received a 2.7 percent credit against the 3.4 percent Federal tax. Thus, under prior law, the standard net Federal tax rate in all States was 0.7 percent. (The tax rate was higher in certain States that had outstanding Federal unemployment loans.)

Explanation of law as amended by Public Law 97-248:

The Act increases the Federal unemployment tax (FUTA) wage base from $6,000 to $7,000 and increases the FUTA rate from 3.4 to 3.5 percent effective January 1, 1983. (Employers in States with approved State programs will continue to receive the 2.7 percent offset credit under current law, so that the standard net Federal tax would be 0.8 percent.) Effective January 1, 1985, the FUTA tax rate is increased to 6.2 percent (a permanent tax of 6.0 percent and a temporary extended benefit tax of 0.2 percent) with a credit of 5.4 percent. States that, under current State law, allow certain specified industries to pay a non-experience based State unemployment tax rate that is below 5.4 percent could provide for such industries to gradually reach the new 5.4 standard tax rate. Annual increases in the State unemployment tax rate for such industries could be limited to no less than 20 percent of the difference between the current rate paid by an employer and 5.4 percent.

(B) ALLOCATION OF REVENUE

Prior law:

Sixty-five percent of the revenue raised by the Federal unemployment tax was allocated to the Employment Security Administration Account (ESAA) and 35 percent was allocated to the Extended Unemployment Compensation Account (EUCA). Upon repayment of the Federal general revenue advances to EUCA, the 0.2 percent temporary tax would have been eliminated and the allocation to EUCA would have been reduced to 10 percent of the revenue raised by the Federal unemployment tax.

Explanation of law as amended by Public Law 97-248:

The Act allocates 60 percent of total FUTA revenues to the Employment Security Administration (ESAA) and 40 percent to the extended unemployment compensation (EUCA) accounts in the Federal Unemployment Trust Fund. Amounts allocated to EUCA which exceed the Federal share of extend benefit expenditures will be used to repay Federal general revenue advances. Upon repayment of the Federal general revenue advances to EUCA (and the elimination of the 0.2 percent temporary tax), 90 percent of FUTA revenues will be allocated to ESAA and 10 percent to EUCA, as under prior law.

(C) CREDIT REDUCTION NOT TO APPLY WHEN STATE MAKES CERTAIN REPAYMENTS

Prior law:

A State that has depleted its own unemployment funds can receive Federal loans as necessary to pay regular State benefits. States that borrow funds have 2 to 3 years to repay the loan, depending on the month the loan is received. If a State does not fully repay all loans within the 2- to 3-year period, employers in the State become subject to an annual reduction in the offset credit against the gross Federal unemployment tax rate of at least 0.3 percent. This means the net Federal tax rate, currently 0.7 percent, becomes subject to annual increases of at least 0.3 percent, up to a maximum of 3.4 percent, until sufficient revenue has been raised through such increases to repay the State's entire outstanding loan balance. The annual reduction in the credit could be more than 0.3 percent in the fourth and fifth years a State had an outstanding loan balance if the average State tax rate is less than (a) 2.7 percent or (b) the average of the last 5 years' benefit expenditures divided by taxable wages.

Explanation of law as amended by Public Law 97-248:

The Act permits States to make debt repayments out of their State trust fund accounts in lieu of further FUTA credit reductions provided the payments come from new funds generated through the State experience-rating system and/or benefit reductions.

(D) LIMITATION ON FIFTH-YEAR CREDIT REDUCTION

Prior law:

The offset credit against the gross Federal unemployment tax rate is reduced by at least 0.3 percent annually each year a State has an outstanding Federal loan beyond the 2- to 3-year period following receipt of the loan. There were two potential credit reductions that are in addition to the annual 0.3 percent reduction. In the fourth year, in addition to another 0.3 percent reduction, employers in the State face a reduction equal to the amount that 2.7 percent exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies. In the fifth year and thereafter, employers faced a reduction, in addition to another 0.3 percent, equal to the higher of the amount of the additional fourth year reduction or the amount that the State's 5-year benefit cost rate exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies. (The benefit-cost rate is benefits divided by taxable wages.)

Explanation of law as amended by Public Law 97-248:

The Act drops the present law additional credit reductions in the fifth year of delinquent State loans so that credit reductions continue at an additional 0.3 percent each year.

(E) REFERRAL OF INTEREST IN CASE OF CERTAIN STATES WITH HIGH UNEMPLOYMENT

Prior law:

A State that has depleted its own unemployment compensation funds may receive Federal loans as necessary to pay regular State benefits. Effective April 1, 1982 through December 31, 1987, States must pay interest on new unemployment loans that are not repaid by the end of the fiscal year in which they were obtained. The interest rate is the same rate paid by the Federal Government on State reserves in the Unemployment Trust Fund for the quarter ending December 31 of the preceding year, but not higher than 10 percent per annum.

Explanation of law as amended by Public Law 97-248:

The Act allows a State, in which the insured unemployment rate equaled or exceeded 7.5 percent during the first 6 months of the preceding calendar year, to reduce payments of interest on Federal unemployment loans to 25 percent of the amount due in any year, and thereby extend the payment of the total interest obligation over a 4-year period. (Interest would be charged on any deferral amount.)

Effective date:

The tax rate increase and the wage base increase are effective January 1, 1983.

Impact:

According to CBO estimates, this provision will increase revenues in fiscal year 1983 by $1,404 million; by $2,353 million in fiscal year 1984; and by $2,857 million in fiscal year 1985.

TREATMENT OF CERTAIN EMPLOYEES OF INSTITUTIONS OF HIGHER EDUCATION

Prior law:

Under prior law, employees of institutions of higher education and employees of elementary and secondary schools were covered by the unemployment insurance system. Federal law requires States to deny benefits during school recess periods to those individuals employed in an instructional, research, or principal administrative capacity under certain conditions. Benefits are denied for any week commencing during the period between two successive academic years or terms if an employee worked during the first term and had a contract or reasonable assurance of reemployment in the second year or term. This between-term denial can also be extended, at State option, to non-teaching, non-research, and non-principal administrative employees of elementary and secondary schools, but not similar employees of colleges and universities.

Explanation of law as amended by Public Law 97-248:

The Act allows States to deny unemployment compensation benefits to non-teaching, non-research and non-administrative employees of colleges and universities during periods between academic years or terms, if there is a reasonable assurance that the individual will be employed by the institution at the beginning of the forthcoming academic year or term.

Effective date:

September 3, 1982.

Impact:

CBO estimates savings of $7, $8, and $9 million for fiscal years 1983, 1984, and 1985 respectfully.

SHORT-TIME COMPENSATION

Prior law:

All States provide partial unemployment benefits for claimants who worked less than regular full-time hours (as defined by State law). However, most State unemployment insurance laws do not allow partial benefits in a way that encourages "worksharing" and short-time compensation—partial, prorated unemployment benefits to workers whose work-week was reduced in lieu of total layoff of some of a firm's employees—because partial benefits generally end when a worker earned slightly more than one-half of full-time wages.

Explanation of law as amended by Public Law 97-248:

The Act directs the Department of Labor to develop model legislation that can be used by States that wish to establish short-time compensation (or "worksharing") programs. The Department of Labor is directed to evaluate the operation and impact of any such programs implemented by the States and report its finding to Congress no later than October 1, 1985.

Effective date:

September 3, 1982.

Impact:

CBO estimates increased expenditures of $1 million in fiscal years 1983 and 1984.

ONE-YEAR EXTENSION OF FUTA EXEMPTION FOR CERTAIN FISHERMEN

Prior law:

Prior law, for tax year 1981 only, exempts from unemployment taxes wages paid to certain fishermen whose remuneration is exempt from social security taxes.

Explanation of law as amended by Public Law 97-362:

The Act extends the exemption for one year (through tax year 1982).

Effective date:

January 1, 1982.

Impact:

Negligible budget impact.

UNEMPLOYMENT BENEFITS PAID TO EX-SERVICE MEMBERS

Prior law:

Under the program for unemployment compensation payments to ex-service members (UCX), benefits were limited to individuals who (1) had 365 or more days of military service; (2) were discharged or released under honorable conditions; (3) had not resigned or voluntarily left the service (i.e., they were disqualified from reenlistment); and (4) were not released or discharged "for cause" as defined by the Department of Defense. These requirements applied to individuals who left Federal military service on or after July 1, 1981, but only for weeks of unemployment that began on or after August 19, 1981.

Explanation of law as amended by Public Law 97-362:

The Act provides up to 13 weeks of Federal unemployment benefits, following a 4-week waiting period after separation, for unemployed ex-service members who (1) had completed the initial term of active service they agreed to serve, (2) were separated under honorable conditions and (3) meet the qualifying requirements of the State in which they file for benefits. Certain ex-service members who are separated prior to completing their initial term of active service could qualify for unemployment benefits if they are separated under honorable conditions and for specified reasons, including disability, dependency/hardship, medical disqualification and others. It also requires that Federal unemployment benefits paid to ex-service members be charged to the Department of Defense in the same manner as Federal civilian employees are charged to other Federal agencies.

Effective date:

The provision is effective for separations after July 1, 1981, but only for benefits payable after date of enactment (September 3, 1982).

Impact:

CBO estimates that outlays will increase by $132, $111, and $117 million in fiscal years 1983, 1984, and 1985 respectively.

TAXATION OF UNEMPLOYMENT COMPENSATION BENEFITS

Prior law:

Under prior law, the amount of State and Federal unemployment insurance benefits included in adjusted gross income for income tax purposes was equal to the lower of:

(a) the amount of unemployment benefits paid, or

(b) one-half of the excess of adjusted gross income, unemployment benefits, and excludable disability income over $20,000 for single taxpayers, $25,000 for married taxpayers filing jointly, or zero for married taxpayers filing separately.

Explanation of law as amended by Public Law 97-248:

The income thresholds limiting inclusion of unemployment benefits in adjusted gross income is reduced to $12,000 for single taxpayers and $18,000 for married taxpayers filing jointly. Penalties for underpayment of estimated tax for 1982 attributed to this change would be waived.

Effective date:

January 1, 1982.

Impact:

CBO estimates that revenues will increase by $763, $734 and $611 million for fiscal years 1983, 1984, and 1985.

ADDITIONAL WEEKS OF UNEMPLOYMENT COMPENSATION BENEFITS: FEDERAL SUPPLEMENTAL BENEFITS

Prior law:

Most States provide up to a maximum of 26 weeks of State unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law. Many claimants qualify for less than the maximum 26 weeks of State benefits. State benefits are financed out of State unemployment trust funds.

Under the permanent Federal-State extended benefits program, additional weeks of unemployment compensation are payable to individuals who exhaust their State benefits during periods of high unemployment. No one can receive more than 13 weeks of extended benefits, or more than 39 weeks of State plus extended benefits. Extended benefits are financed one-half out of State unemployment trust funds and one-half out of Federal unemployment trust funds.

Until September 25, 1982, extended benefits were payable in a State when, for the most recent 13-week period, the State insured unemployment rate (IUR) averaged at least 4 percent and, in addition, was 20 percent higher than it was during the same 13-week period in the two previous years. When the "20 percent" factor was not met, a State, at its option, could have extended benefits when the State IUR averaged 5 percent. (Thirty-nine States had incorporated the optional 5-percent trigger into their State law.)

Effective September 25, 1982, the IUR at which extended benefits would be payable in any State was raised from 4 percent (plus the 20-percent factor) to 5 percent (plus the 20-percent factor). The optional trigger rate was increased from 5 percent to 6 percent. (This change was made by the 1981 Budget Reconciliation Act.

Explanation of law as amended by Public Laws 97-248 and 97-424:

Public Law 97-248 provides, effective September 12, 1982 through March 31, 1983, up to 10 additional weeks of unemployment compensation benefits for unemployed workers in States in which extended benefits are being paid or have been paid at any time since June 1, 1982. Up to 8 additional weeks of benefits are provided in other States in which the extended benefit trigger rate equals or exceeds 3.5 percent. Up to 6 additional weeks of unemployment benefits are provided in all remaining States.

If at any time 10 additional weeks of benefits are or become payable in a State, qualified unemployed workers in the State are able to receive up to 10 weeks of benefits throughout the duration of the program, regardless of changes in the extended benefit trigger rates in the State.

The additional weeks of benefits are payable to unemployed workers whose entitlement to State benefits (i.e., benefit year) or extended benefits ended on or after June 1, 1982; and

(a) who have no rights to regular or other State benefits or Federal/State extended benefits;

(b) who have worked 20 or more weeks or have the equivalent in wages (i.e., 40 times the weekly benefit amount or one and one-half times high quarter wages, as specified in the extended benefits program) during the State defined base-period (generally a 12 month period no more than 18 months prior to the time the person filed for State unemployment compensation); and,

(c) who continue to meet all other State and extended benefit requirements.

Except in States in which 10 additional weeks are or became payable, an individual's eligibility is determined on a week by week basis according to the situation prevailing in the State. For example, an individual who initially qualifies for 6 weeks of benefits under this program (because the State extended benefit trigger rate is under 3.5 percent) may receive an additional 2 or 4 weeks of benefits if the rate subsequently increases (even if this occurs some weeks after he exhausts his 6-week entitlement). Similarly an individual who draws his first week of benefits under this program at a time when the State meets the 8-week criteria will not be eligible for a seventh or eighth week of benefits if the State extended benefit trigger rate drops below 3.5 percent before he receives the seventh and eighth week of benefits.

The determination of whether a State has a rate of 3.5 percent or more is determined in the same manner as the extended benefit triggers: that is, on the basis of the average of the rates prevailing during a 13-week period ending 3 weeks previously. The determination for the week of September 12, 1982, the first week this program is in effect, will be based on the 13-week period ending August 28, 1982.

Effective January 9, 1983 through March 31, 1983, Public Law 97-424 increased the number of weeks of unemployment compensation benefits payable under the Federal Supplemental Compensation (FSC) program, which began September 12, 1982.

Beginning January 9, a total of up to 16, 14, 12, 10, or 8 weeks of FSC benefits are payable. In other words, the number of weeks payable under the FSC program is increased by 6, 4, or 2 weeks. The number of weeks of FSC benefits an eligible claimant may receive depends on the number of weeks of regular State unemployment benefits received, and the State in which the claimant lives. Jobless workers who have exhausted FSC would be eligible for the additional weeks provided under Public Law 97-424.

The total weeks of FSC payable in a State depends on (a) the rate of insured unemployment, and (b) whether Federal/State extended benefits have been payable in the State between June 1, 1982 and enactment of this provision.

Public Law 97-424 increases the maximum number of FSC weeks payable in a State to:

(a) 16 weeks in States with average insured unemployment rate (IUR) at or above 6.0 percent;

(b) 14 weeks in States that were triggered on to Federal/State extended benefits (EB) at any time between June 1, 1982 and the enactment of Public Law 97-424 on January 6, 1983;

(c) 12 weeks in States with IUR 4.5 to 6.0 percent;

(d) 10 weeks in States with IUR 3.5 to 4.5 percent; and

(e) 8 weeks in all remaining States.

Effective date:

September 12, 1982, and January 6, 1983.

Impact:

CBO estimates additional unemployment benefits of $2,570 million in fiscal year 1983. Food stamp and AFDC expenditure will decline by $2.09 million as a result of the provision. Approximately 1.8 million individuals will receive an average of $116 per week for 12 weeks of additional unemployment compensation benefits as a result of this provision.

TABLE 8.—MAXIMUM COMBINED WEEKS OF REGULAR STATE, FEDERAL/STATE EXTENDED AND FEDERAL SUPPLEMENTAL COMPENSATION UC BENEFITS

	Extended benefit indicators		Status of extended benefit periods beginning date (B) ending date (E)	Number of FSC weeks—effective Jan. 9, 1983	Maximum weeks
	13-week IUR	Percent of prior 2 years			
Alabama	5.80	140	B 10-31-82	14	53
Alaska	6.76	93	E 10-23-82	16	55
Arizona	4.38	184	E 10-23-82	14	53
Arkansas [1]	5.79	128	B 10-3-82	14	53
California	5.22	137	E 10-23-82	14	53
Colorado	3.30	154	E 1-24-81	8	34
Connecticut	3.29	135	E 1-24-81	8	34
Delaware [1]	3.06	96	E 7-17-82	14	53
Dist. of Columbia	3.80	111	E 1-24-81	10	36
Florida [1]	2.57	138	E 1-24-81	8	34
Georgia	3.34	132	E 1-24-81	8	34
Hawaii	3.50	113	E 1-24-81	10	36
Idaho	6.43	135	B 10-18-81	16	55
Illinois	5.72	139	B 3-7-82	14	53
Indiana	4.95	146	E 7-17-82	14	53
Iowa [1]	4.03	138	E 10-2-82	14	53
Kansas	4.18	173	E 11-6-82	14	53
Kentucky [1]	5.68	128	B 12-5-82	14	53
Louisiana	5.27	207	E 10-23-82	14	53
Maine	4.28	110	E 7-3-82	14	53
Maryland	4.10	133	E 7-31-82	14	53
Massachusetts	3.73	118	E 6-26-82	14	53
Michigan	[2] (7.09)	(118)	B 2-28-82	14	53
Minnesota	3.83	146	E 7-10-82	14	53
Mississippi	5.90	159	B 1-17-82	14	53
Missouri	4.13	113	E 6-19-82	14	53

TABLE 8.—MAXIMUM COMBINED WEEKS OF REGULAR STATE, FEDERAL/STATE EXTENDED AND FEDERAL SUPPLEMENTAL COMPENSATION UC BENEFITS—Continued

	Extended benefit indicators		Status of extended benefit periods beginning date (B) ending date (E)	Number of FSC weeks—effective Jan. 9, 1983	Maximum weeks
	13-week IUR	Percent of prior 2 years			
Montana	4.66	122	E 10-23-82	14	53
Nebraska	2.56	141	E 1-24-81	8	34
Nevada [1]	4.76	137	E 10-23-82	14	53
New Hampshire [1]	2.69	143	E 1-24-81	8	34
New Jersey	4.24	103	E 6-19-82	14	53
New Mexico	4.03	150	E 11-27-82	14	53
New York	3.74	111	E 1-24-81	10	36
North Carolina	4.29	142	E 10-23-82	14	53
North Dakota [1]	3.00	140	E 1-24-81	8	34
Ohio	5.78	131	B 1-17-82	14	53
Oklahoma	4.09	278	E 1-24-81	10	36
Oregon	6.40	114	E 12-18-82	16	55
Pennsylvania	7.12	157	B 1-24-82	16	55
Puerto Rico	9.10	109	B 2-23-75	16	55
Rhode Island	4.94	114	E 10-23-82	14	53
South Carolina	5.32	139	B 1-10-82	14	53
South Dakota [1]	2.08	104	E 1-24-81	8	34
Tennessee	4.53	117	E 9-25-82	14	53
Texas	2.82	228	E 1-24-81	8	34
Utah [1]	4.74	165	E 10-23-82	14	53
Vermont	4.67	129	E 8-21-82	14	53
Virginia	2.18	128	E 1-24-81	8	34
Virgin Islands	4.23	116	E 8-28-82	14	53
Washington [1]	6.43	133	B 7-6-80	16	55
West Virginia	8.33	172	B 4-18-82	16	55
Wisconsin	5.44	116	E 12-11-82	14	53
Wyoming [1]	4.37	238	E 1-24-81	10	36

[1] State does not have 6 percent option in its law.

[2] Trigger indicator as of Dec. 18, 1982.

Source: U.S. Department of Labor, ETA, UIS, Division of Actuarial Services, Jan. 10, 1983.

AID TO FAMILIES WITH DEPENDENT CHILDREN

ROUNDING OF AFDC ELIGIBILITY AND BENEFIT AMOUNTS

Prior law:

There were no provisions in prior law relating to the rounding of benefits.

Explanation of law as amended by Public Law 97-248:

The Act requires States to round both their need standards and actual monthly benefit amounts to the lower whole dollar.

Effective date:

October 1, 1982 or later if State conforming legislation is needed.

Impact:

CBO estimates reductions in Federal AFDC expenditures of $9, $10, and $10 million for fiscal years 1983, 1984, and 1985, respectively.

PRORATE FIRST MONTH'S BENEFIT BASED ON DATE OF APPLICATION

Prior law:

States could pay benefits beginning with the first day of the month in which an application was filed.

Explanation of law as amended by Public Law 97-248:

Requires States to pay benefits beginning no earlier than the date an application is filed. The benefit amount would be prorated based on the date of application.

Effective date:

October 1, 1982 or later if State conforming legislation is needed.

Impact:

CBO estimates reductions in Federal AFDC expenditures of $13, $14 and $14 million for fiscal years 1983, 1984 and 1985, respectively. For fiscal year 1983, this assumes an average reduction of ½ month's benefit ($155) for 175,000 new applicants.

ELIMINATE MILITARY SERVICE AS BASIS FOR AFDC ELIGIBILITY

Prior law:

AFDC was payable to needy families if the need arose because a parent was absent on active duty in the uniformed service.

Explanation of law as amended by Public Law 97-248:

The Act excludes absence based solely on military duty as a basis for need. However, if the parent has left the home for other reasons and is not providing support, the family may still be eligible for assistance. In this case, as provided in prior law, the custodial parent would have to assign to the State any rights to child support which have accrued.

Effective date:

October 1, 1982 or later if State conforming legislation is needed.

Impact:

CBO estimates a reduction in Federal AFDC expenditures of $15, $17 and $17 million for fiscal years 1983, 1984, and 1985, respectively, as a result of this provision. The estimate for fiscal year 1983 assumes 10,000 families will lose an average of $3,150 per year.

JOB SEARCH

Prior law:

Under the WIN program, AFDC recipients, but not applicants, could be required to participate in a program of employment search. Sanctions can be imposed if the recipient refuses to participate without good cause. In the case of the principal earner in an unemployed parent family, the sanction is the denial of benefits for the entire family. In other cases, the individual who refuses is removed from the grant and the family's benefit is reduced. The sanction period is 3 months in the case of a first refusal and 6 months in the case of any subsequent refusals.

Explanation of law as amended by Public Law 97-248:

The Act permits States to require AFDC applicants and recipients to participate in a program of employment search beginning at the time of application. States exercising this option may limit participation to certain groups or classes of individuals who are required to register for WIN and the provision permits the State to shorten the duration of the sanction period. Transportation and other necessary costs incurred by participants must be paid and States would receive 50 percent Federal matching funds for transportation and other services. An initial 8-week search period is allowed plus an additional 8-week period each year (which could add up to 16 weeks in the first year). States may not use the job search requirement as a reason for delaying eligibility determinations or making payments to those otherwise eligible. An individual who fails to comply with the employment search requirement is subject to sanctions in the same manner as under the WIN program.

Effective date:

October 1, 1982.

Impact:

CBO estimates reduced Federal AFDC expenditures of $5, $10 and $15 million for fiscal years 1983, 1984, and 1985, respectively, as a result of this provision.

PRORATING SHELTER AND UTILITIES FOR AFDC FAMILIES THAT SHARE HOUSEHOLDS

Prior law:

AFDC regulations generally prohibited the States from prorating or otherwise reducing the AFDC benefit solely because of the presence in the household of an individual who was not legally responsible to support the family. This general prohibition was modified in Public Law 96-272 to allow States to prorate the shelter and utilities portion of the AFDC benefit in the case of "child only" family units, i.e., when the parent is not eligible for assistance.

Explanation of law as amended by Public Law 92-248:

The Act allows States to adjust the AFDC benefit when the AFDC family shares a household with other individuals. (States can not prorate in the case of an SSI recipient to whom a one-third benefit reduction applies.) States are authorized to prorate, on a reasonable basis, the portion of the AFDC grant which the State designates for shelter and utilities. In States which elect this option, the States are free to design the method of proration and the circumstances in which proration is applied. The Secretary is authorized to prescribe broad guidelines for States which use this option.

Effective date:

October 1, 1982.

Impact:

CBO estimates reductions in Federal AFDC expenditures of $43, $44 and $45 million as a result of this provision for fiscal years 1983, 1984 and 1985, respectively. Approximately 18 percent of AFDC families (not including child only units) share a household with other individuals. The estimate for fiscal year 1983 assumes an average reduction in AFDC benefits of $675 per year for 120,000 AFDC families.

REDUCE FEDERAL MATCH FOR ERRORS

Prior law:

The "Michel amendment" requires States to reduce their AFDC payment error rate to 4 percent by September 30, 1982. Regulations required the States to achieve one-third progress toward the 4 percent payment error rate (measured from their error rate for the base period April to September, 1978) by September 30, 1980, and two-thirds progress by September 30, 1981. The 4 percent goal is the standard for all assessment periods after September 30, 1982. States can be sanctioned by being required to pay the Federal Government the Federal cost of improperly paid benefits, as determined by quality control surveys. The Secretary has authority to waive sanctions where he determines, in certain limited cases, that a State is unable to reach the required reduction in a given year despite a good faith effort.

Explanation of law as amended by Public Law 97-248:

The Act limits the Federal match for erroneous benefit payments in the AFDC program to 4 percent in fiscal year 1983, and 3 percent in fiscal years 1984 and 1985. The imposition of fiscal sanctions is applied on a retrospective basis. The prior law authority of the Secretary of Health and Human Services to waive sanctions in certain circumstances is continued.

Effective date:

October 1, 1982.

Impact:

There is no budget impact for fiscal years 1983 and 1984. In fiscal year 1985, CBO estimates there will be a reduction in Federal AFDC payments to States of $62 million as a result of not meeting the 3 percent standard for fiscal year 1984.

EXCLUSION FROM AFDC INCOME OF CERTAIN STATE PAYMENTS

Prior law:

A provision in the 1981 Reconciliation Act requires States to determine AFDC benefits on the basis of the family's income in the preceding month. Under certain circumstances payments may be determined on the basis of income in the second preceding month. This is necessary, for example, when the payment date is in the first week of the month and the State needed time to process the monthly report of income which must be submitted by the recipient. A State which has this kind of payment lag may wish to supplement the AFDC payment with a non-federally matched State payment—for example, when a family loses employment and suffers an immediate loss in income. However, if the State decides to assist a family during a payment adjustment lag, any supplement which it paid to the family is counted as income for purposes of computing the following month's AFDC check.

Explanation of law as amended by Public Law 97-248:

The Act allows States the option of excluding from calculations of AFDC benefit amounts any payments made solely from State funds that are designed to compensate for lost income in the period before the new benefit amount can be calculated.

Effective date:

October 1, 1982.

Impact:

No budget impact.

WIN DEMONSTRATION AUTHORITY

Prior law:

The 1981 Reconciliation Act included a provision authorizing States to operate a 3-year demonstration program as an alternative to the WIN program. The demonstration is aimed at testing single-agency administration and had to be operated under the direction of the State welfare agency. The legislation requires States to submit an application to the Secretary of HHS specifying intent to operate a WIN demonstration program. This application had to be submitted within 60 days after enactment.

Explanation of law as amended by Public Law 97-248:

The Act reopens the option for States to apply for a WIN demonstration program for an additional 2 years. The requirements and regulations which applied to the earlier WIN demonstration program would apply to the extension.

Effective date:

September 3, 1982.

Impact:

No budget impact.

EXCLUSION FROM INCOME OF CERTAIN STATE PAYMENTS TO CHILDREN

Prior law:

In the past, income received by an AFDC household has generally been counted as income in determining eligibility for and amount of assistance, unless specifically excluded. The Department of Health and Human Services has not required that certain State payments be considered income for purposes of determining AFDC eligibility or amount of benefits. These are payments that are financed wholly from State funds to meet the needs of children receiving AFDC which are not met by the regular payment.

Explanation of law as amended by Public Law 97-248:

The Act allows States to continue to exclude from countable income, both in the month of receipt and in future months, certain special payments made by a State to children in AFDC households.

Effective date:

September 3, 1982.

Impact:

No budget impact.

EXCLUSION OF HOME ENERGY ASSISTANCE

Prior law:

In the welfare programs of SSI and AFDC, the monthly payment to each recipient is determined by subtracting that person's other income from a specified assistance standard. The AFDC and SSI statutes specify certain limited types of income which are not to be counted in making these determinations. Otherwise, all income serves to reduce the assistance payment. (In the case of SSI, in-kind income is explicitly included in the definition of income.)

Explanation of law as amended by Public Law 97-424:

The Act would add to the items that are not counted as income certain types of assistance provided to help AFDC and SSI recipients meet their energy needs. Any such assistance in cash or kind would be excluded from income if it is based on the need for assistance with home energy costs and is furnished by a home heating oil or gas supplier or by a utility company (including a municipal utility) which provides home energy. Assistance of this type provided by a non-profit organization would also be excluded from income but only if it is in-kind assistance. In the case of the AFDC program, the exclusion provided by the amendment would be optional with each State. The amendment would apply to assistance provided through June 1985.

Effective date:

January 9, 1983.

Impact:

CBO estimates increased AFDC expenditures of $1, $2, and $2 million for fiscal years 1983, 1984, and 1985, respectively.

TECHNICAL AMENDMENTS TO TITLE XX SOCIAL SERVICES AND FOSTER CARE PROGRAM

Explanation of law as amended by Public Law 97-248:

Certain technical amendments were made to Title XX Social Services and the Foster Care Programs.

CHILD SUPPORT ENFORCEMENT

COLLECTION OF ADMINISTRATIVE COSTS FOR NON-AFDC CHILD SUPPORT ENFORCEMENT

Prior law:

Prior law allowed States to provide child support enforcement services to non-AFDC families without charge or to recover costs of servicing such families by charging the custodial parent an application fee of up to $20, and by retaining a portion of any child support payments which were collected.

An amendment to the 1981 Reconciliation Act replaced that optional provision with a requirement that States impose a fee equal to 10 percent of the support owed, to be charged against the absent parent and added to the amount of the collection.

Explanation of law as amended by Public Law 97-248:

The Act repeals the provisions enacted in Public Law 97-35 which would require States, in cases involving non-AFDC families, to charge any absent parent who is obligated to pay child support through the State Child Support Enforcement Agency a fee equal to 10 percent of the child support payment. The Act restores the law in effect prior to Public Law 97-35 which allows States to charge a reasonable fee for a non-AFDC collection and retain from the amount collected an amount equal to administrative costs not covered by the fee. The provision also retains, as a State option, the authority to collect from the parent who owed child or spousal support an amount to cover administrative costs, in addition to the child support payment.

Effective date:

August 13, 1981.

Impact:

CBO estimates reduced Federal CSE expenditures of $12, $16, and $11 million for fiscal years 1983, 1984, and 1985, respectively, as a result of this provision.

ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT BY MEMBERS OF THE ARMED FORCES

Prior law:

There was no provision for allotments from the pay and allowances of members of the uniformed services for child support.

Explanation of law as amended by Public Law 97-248:

The Act requires allotments from the pay and allowances of any member of the uniformed service, on active duty, when he or she fails to make child (or child and spousal) support payments. The requirement would arise when the member failed to make support payments in an amount at least equivalent to the value of 2 months' worth of support. Provisions of the Consumer Credit Protection Act would apply so that the percentage of the servicemember's pay subject to allotment would be limited. In addition, the service member is given an opportunity to consult a judge advocate or other law specialist.

Effective date:

October 1, 1982.

Impact:

CBO estimates increased Federal CSE collections of $7, $9, and $10 million for fiscal years 1983, 1984, and 1985, respectively.

REIMBURSEMENT OF STATE AGENCY

Prior law:

Amounts of child support collected which are sufficient to make the family ineligible for AFDC has to be paid to the family beginning with the first month of ineligibility.

Explanation of law as amended by Public Law 97-248:

The Act allows States to reimburse themselves from the amount of support collected for AFDC that was already paid in the final month of eligibility. Thus, the family does not receive double payment for the same month, first in the form of AFDC and then through receipt of the proceeds of the support collection.

Effective date:

October 1, 1982.

Impact:

CBO estimates reductions in Federal AFDC expenditures of $3, $4, and $4 million for fiscal years 1983, 1984, and 1985, respectively.

REDUCTION IN FEDERAL MATCHING FOR STATE CHILD SUPPORT COSTS

Prior law:

Title IV-D provided 75 percent Federal matching for administrative costs incurred by the State in providing child support services. This included costs of supportive or administrative court personnel in the performance of IV-D duties. In addition, a 15 percent incentive payment, financed entirely from the Federal share of AFDC child support collections, was paid to the States.

Explanation of law as amended by Public Law 97-248:

The Act reduces incentive payments and the Federal matching rate for State costs of operating the child support enforcement (CSE) program.

Effective date:

October 1, 1982, the matching rate will be reduced from 75 to 70 percent. Effective October 1, 1983, all matching will be eliminated for costs incurred by State and local courts in connection with the CSE program. In addition, the Act reduces State CSE incentive payments from 15 to 12 percent, effective October 1, 1983.

Impact:

CBO estimates Federal savings of $40, $91 and $101 million for fiscal years 1983, 1984, and 1985, respectively.

TECHNICAL AMENDMENTS TO CHILD SUPPORT ENFORCEMENT PROGRAM

Explanation of law as amended by Public Law 97-248:

The Act makes several technical corrections in the child support enforcement provisions contained in Public Law 97-35, including the correction of inaccurate references.

SUPPLEMENTAL SECURITY INCOME (SSI)

PRORATE FIRST MONTH'S BENEFIT BASED UPON DATE OF APPLICATION

Prior law:

The payment of SSI benefits began with the first day of the month in which the recipient applied and met the eligibility requirements.

Explanation of law as amended by Public Law 97-248:

The Act prorates the first month's SSI benefit from the date of application or the date of eligibility, whichever is later. The Act also applies to the month in which an individual reapplies after a period of ineligibility.

Effective date:

October 1, 1982.

Impact:

CBO estimates reduced SSI expenditures of $30, $25, and $30 million for fiscal years 1983, 1984, and 1985, respectively. The estimate for fiscal year 1983 assumes 325,000 SSI applicants lose an average of $88.

ROUND SSI ELIGIBILITY AND BENEFIT AMOUNTS

Prior law:

SSI monthly maximum payment amounts and income eligibility amounts (which are adjusted annually to reflect changes in the cost-of-living) were rounded to the next higher 10 cents.

Explanation of law as amended by Public Law 97-248:

The Act rounds SSI maximum payment benefit and income eligibility amounts to the next lower dollar. Rounding takes place after the cost-of-living adjustment is made.

Effective date:

October 1, 1982.

Impact:

CBO estimates reduced SSI expenditures of $10, $20, and $20 million for fiscal years 1983, 1984, and 1985, respectively.

COORDINATION OF SSI AND OASDI COST-OF-LIVING ADJUSTMENT

Prior law:

Under prior law, SSI benefits were based on the income anticipated by the recipient during the current calendar quarter. OASDI and SSI cost-of-living adjustments occurred at the same time so that an increase in OASDI that was received in July was taken into account in determining the July SSI payment.

An amendment in the 1981 Reconciliation Act provided that, beginning April 1982, SSI benefits were determined on the basis of the recipient's income in the second prior month (retrospectively). As a result, the new, higher OASDI benefit which the recipient received in July would not be taken into account, and thus would not be used to reduce the SSI payment, until September. Because of this, the savings that were estimated to result from the change to retrospective accounting could not be achieved; in fact, there would be a net cost.

Explanation of law as amended by Public Law 97-248:

The Act coordinates the cost-of-living increases in SSI and social security (OASDI). At the time the cost-of-living adjustment is made, the recipient's SSI benefit will be based on his or her social security payment in the same month, rather than in the second preceding month. In addition, whenever the Secretary determines that there is reliable information on a recipient's income or resources in a given month, the SSI benefit will be based on that information. The Secretary is required to prescribe by regulation the circumstances in which such information concerning a future event can be used to determine the monthly SSI benefit.

Effective date:

October 1, 1982.

Impact:

CBO estimates SSI savings of $30, $32 and $30 million as a result of this provision for fiscal years 1983, 1984 and 1985, respectively.

PHASE-OUT OF "HOLD HARMLESS" PROTECTION

Prior law:

The legislation enacting the SSI program included "hold harmless" protection for the States which allowed them to supplement the Federal payment to assure that recipients would receive cash benefits equal to their January 1972 benefit levels, with no cost to the State beyond what it spent for benefits on behalf of aged, blind and disabled persons in 1972.

Because of Federal benefit increases since that time, all except two States, Hawaii and Wisconsin, had lost their "hold harmless" status. These two States received a Federal contribution to their State supplements because of a special provision added to the law in 1976. Under that provision, their "hold harmless" payments were no longer reduced by Federal benefit increases.

The 1982 Continuing Resolution provided for a reduction in "hold harmless" payments for Wisconsin and Hawaii.

Explanation of law as amended by Public Law 97-248:

The Act continues the phase out of "hold harmless" payments as follows: hold harmless payments are reduced to 40 percent of what they would otherwise be in 1983, to 20 percent in 1984, with no hold harmless payments made in 1985 and years thereafter.

Effective date:

September 3, 1982.

Impact:

CBO estimates reduced Federal SSI expenditures of $30, $37 and $45 million for fiscal years 1983, 1984, and 1985, respectively.

EXCLUSION FROM RESOURCES OF AMOUNTS SET ASIDE FOR BURIAL EXPENSES

Prior law:

The SSI statute specifies certain assets which an individual may retain without affecting his eligibility for benefits. Excluded are the home, household goods, personal effects, and an automobile of limited value; and liquid assets up to $1,500 in the case of an individual, or $2,250 for a couple.

Also excluded are life insurance policies with cash value, but only if the face value of the policies totaled less than $1,500: and burial insurance, irrevocable burial contracts and term life insurance.

Explanation of law as amended by Public Law 97-248:

The Act excludes from countable resources burial spaces for an individual or members of his immediate family (subject to limits prescribed by the Secretary). Burial funds of up to $1,500 each for the individual and his or her spouse are also excluded if specifically set aside for this purpose. Such funds will reduce the value of excludable life insurance policies. In addition, the $1,500 limit is reduced by any amounts held by the individual in an irrevocable burial contract or other arrangements made to meet burial expenses.

The Secretary is authorized to periodically raise the $1,500 limit as may be necessary.

Effective date:

November 1, 1982.

Impact:

CBO estimates increased SSI expenditures of $5 million each year from 1983 to 1985.

SSI PASS-THROUGH REQUIREMENT

Prior law:

Since July 1977, States which supplement Federal SSI benefits have been required to pass through Federal SSI cost-of-living increases. A State could meet this requirement by either (1) maintaining the December 1976 level of State supplementation payment for recipients or (2) providing no less than the total aggregate amount of State supplementation paid by the State in the previous 12-month period. For a State which had, since July 1977, met the requirement under the aggregate spending option to switch to the first payment level option, the State would have had to pay supplementary payments in the same amounts as they had paid in December 1976. This would have required increased payments to some individuals whose State supplementary payment limits were reduced in the period between 1976 and the present.

Explanation of law as amended by Public Law 97-248:

The Act allows a State to shift from the aggregate spending option to the State supplementation payment level option, using the previous December instead of December 1976. A State cannot decrease its State supplementation payment below the level in the previous December.

Effective date:

July, 1982.

Impact:

No budget impact.

TREATMENT OF UNNEGOTIATED SSI CHECKS

Prior law:

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) amended title XVI (SSI) of the Social Security Act to establish a process for crediting States with their share (included as State supplementation) of benefit checks remaining unnegotiated for more than 180 days. It was not clear whether this legislation applied to SSI checks which were entirely State financed.

Explanation of law as amended by Public Law 97-248:

The Act clarifies the authority to credit States for unnegotiated SSI benefit checks which are "state supplementation only" checks.

Effective date:

October 1, 1982.

Impact:

There is no budget impact in fiscal years 1983 and 1984. CBO estimates a $1 million increase in SSI expenditures in fiscal year 1985.

EXCLUSION OF HOME ENERGY ASSISTANCE

Prior law:

In the welfare programs of SSI and AFDC, the monthly payment to each recipient is determined by subtracting that person's other income from a specified assistance standard. The AFDC and SSI statutes specify certain limited types of income which are not to be counted in making these determinations. Otherwise, all income serves to reduce the assistance payment. (In the case of SSI, in-kind income is explicitly included in the definition of income.)

Explanation of law as amended by Public Law 97-424:

The Act would add to the items that are not counted as income certain types of assistance provided to help AFDC and SSI recipients meet their energy needs. Any such assistance in cash or kind would be excluded from income if it is based on the need for assistance with home energy costs and is furnished by a home heating oil or gas supplier or by a utility company (including a municipal utility) which provides home energy. Assistance of this type provided by a non-profit organization would also be excluded from income but only if it is in-kind assistance. In the case of the AFDC program, the exclusion provided by the amendment would be optional with each State. The amendment would apply to assistance provided through June 1985.

Effective date:

January 9, 1983.

Impact:

CBO estimates increased expenditures of $1, $2, and $2 million for fiscal years 1983, 1984, and 1985, respectively.

MEDICARE

MEDICARE PAYMENTS SECONDARY FOR OLDER WORKERS CHOOSING TO BE COVERED UNDER GROUP HEALTH PLANS

Prior law:

The Federal Age Discrimination in Employment Act (ADEA) prohibited employment bias on the basis of age between ages 40 and 70 for most workers in the private sector. However, the ADEA regulations permitted an employer to "carve-out" from his health plan those benefits that are actually paid for by medicare. As an alternative, an employer could offer employees eligible for medicare a separate plan that supplemented medicare, provided that: (1) the costs of such a plan are not less than what would be expended to include such individuals in the regular employer plan with medicare "carve-out", and (2) the supplemental plan, when taken in combination with medicare, provided benefits that are not less favorable than an employee eligible for medicare would receive under the employer's regular plan for other workers.

The medicare program was the primary payor in dual coverage situations, except in certain specified circumstances.

Explanation of law as amended by Public Law 97-248:

The Act requires employers to offer employees aged 65 through 69 and their dependents the same health benefit plan offered to younger workers and makes medicare the secondary payor to those plans for such employees and their aged spouses. The decision whether to take this private coverage or select medicare as primary payor would be voluntary for the individual. Medicare payments are reduced for any item or service furnished to an employee or spouse if the combined payment under medicare and the employer's health plan would otherwise exceed, for items or services reimbursed on a cost basis, their reasonable cost, or, for items or services reimbursed on a charge basis, the higher of medicare's reasonable charge or the amount allowable under the employer health benefits plan. In no case would medicare pay more than it would otherwise have paid. Employers with less than 20 employees would be exempt from the provision.

Effective date:

The measure would become effective January 1, 1983.

Impact:

CBO estimates this provision would reduce medicare expenditures by $88, $265, and $451 million for fiscal years 1983, 1984, and 1985, respectively. This provision will affect 490,000 workers after age 65 and initially cost employers approximately $1,070 per elderly worker. Over time, this cost might be reflected in lower wages for elderly workers.

REIMBURSEMENT FOR INPATIENT RADIOLOGY AND PATHOLOGY SERVICES

Prior law:

Under prior law, medicare part B paid 100 percent of the reasonable charges of radiologists and pathologists who furnished radiology and pathology services to hospital inpatients and who accepted assignment in all cases for these services.

Explanation of law as amended by Public Law 97-248:

The Act eliminates the special 100 percent reimbursement rate thereby providing that medicare will pay for such services on the same basis as other physicians' services, i.e., 80 percent of reasonable charges after the part B deductible has been met.

Effective date:

Applies with respect to items and services furnished on or after October 1, 1982.

Impact:

CBO estimates this provision will reduce medicare expenditures by $150, $210 and $245 million for fiscal years 1983, 1984 and 1985, respectively. These savings will be borne by medicare recipients in the form of higher copayments and deductibles.

ELIMINATION OF THE INPATIENT ROUTINE NURSING SALARY COST DIFFERENTIAL

Prior law:

Medicare reimbursed hospitals and skilled nursing facilities on the basis of their "reasonable costs". The Secretary had paid a plus factor for inpatient routine nursing salary costs on the theory that older patients required more nursing care than younger patients. This plus factor was initially 8.5 percent. Public Law 97-35 reduced the differential to 5 percent.

Explanation of law as amended by Public Law 97-248:

The routine nursing salary cost differential is eliminated.

Effective date:

Applies with respect to cost-reporting periods ending after September 30, 1982, but only in proportion to that part of the hospital's cost reporting period occurring after that date.

Impact:

CBO estimates this provision will reduce medicare expenditures by $95, $110, and $125 million for fiscal years 1983, 1984, and 1985, respectively. It will affect all hospitals.

REIMBURSEMENT OF PROVIDER-BASED PHYSICIANS

Prior law:

Many hospitals retain staff physicians on a full-time basis, particularly in the fields of radiology, anesthesiology and pathology. These provider based physicians generally perform a variety of services for the institution (such as supervision, teaching, research, and administration) as well as rendering direct patient care services. These practitioners negotiate a variety of financial agreements with the facilities with respect to services rendered by them. Prior law and regulations specified that direct patient care services were to be reimbursed under medicare part B while services performed for the institution by provider-based specialists were to be reimbursed as provider services on the basis of reasonable costs. This policy had never been uniformly implemented.

Explanation of law as amended by Public Law 97-248:

The Act directs the Secretary to issue regulations which distinguish between (1) professional medical services which are personally rendered to an individual patient, which contribute to the patient's diagnosis or treatment, and which are reimbursable only under part B on a charge basis; and (2) professional medical services which are of benefit to patients generally and which can be reimbursed only on a reasonable cost basis. Reasonable cost reimbursement for provider-based services could not exceed a reasonable compensation equivalent established by the Secretary in regulations.

Effective date:

October 1, 1982.

Impact:

CBO estimates that this provision will reduce medicare expenditures by $6, $40, and $75 million for fiscal years 1983, 1984, and 1985, respectively.

Part B Premium as Constant Percentage of Costs

Prior law:

Individuals who elect to be covered under medicare part B are required to pay a monthly premium. The amount of the premium, which is set annually, is $12.20, effective July 1, 1982.

Initially, the premium paid by aged beneficiaries was calculated to cover half the cost of their benefits. In 1972, the law was amended to limit annual increases in the premium to the percentage by which cash social security benefits had most recently been increased. As a result of this limitation, the percentage of costs borne by the premiums of the elderly had been reduced from 50 percent to 24.8 percent.

Explanation of law as amended by Public Law 97-248:

The Act would suspend this limitation for the 1-year period beginning July 1, 1983 and July 1, 1984. On those dates the premium increases to a level which will result in premium revenues for each period beginning on such date equal to 25 percent of program costs for aged beneficiaries. This will result in a monthly premium of $13.50 beginning July 1, 1983 (rather than the $13.10 projected under current law). It is estimated that this will result in a monthly premium of $15.30 beginning July 1, 1984 (rather than $14.00 under current law). The normal part B premium calculation and limitation would resume on July 1, 1985.

Effective date:

Applies with respect to premiums paid for the period July 1, 1983 through June 30, 1985.

Impact:

This will affect all part B enrollees by an estimated $0.40 per month the first year and $1.30 per month the second year. CBO estimates this will increase part B revenues by $35, $240, and $550 million for fiscal years 1983, 1984, and 1985, respectively.

MEDICARE REIMBURSEMENT TO HOSPITALS

(A) EXPANSION OF SECTION 223 LIMITS TO INCLUDE ANCILLARY COSTS

Prior law:

Medicare reimbursement for a hospital's inpatient routine operating costs (i.e., bed, board, and routine nursing) could not exceed 108 percent of the average routine cost per day incurred by other hospitals of the same type unless it qualified for an exception or exemption.

Explanation of law as amended by Public Law 97–248:

The current section 223 limitation is extended to include ancillary costs, applied on an average cost-per-case basis, and adjusted for case mix. In no case would reimbursement on a cost-per-case basis be reduced below the current allowable cost-per-case. The new limitation is applicable to hospital cost reporting periods beginning on or after October 1, 1982. For the first year, the limitation would be set at 120 percent of the mean for hospitals of the same type; for the second year, the limitation would be 115 percent of the mean; and for the third and subsequent years, the limitation would be 110 percent of the mean.

The Act requires the Secretary to provide for exemptions from and exceptions and adjustments to the limitations as he deems appropriate including those he deems necessary to take into account:

Special needs of sole community hospitals, new hospitals, and risk based health maintenance organizations;

Extraordinary circumstances beyond the hospital's control, medical and paramedical education costs, significantly fluctuating population in the service area of the hospital and unusual labor costs;

Special needs of psychiatric hospitals;

Special needs of public or other hospitals that serve a significantly disproportionate number of low income patients or medicare part A beneficiaries; and

A decrease in inpatient services that a hospital provides (and which are customarily provided directly by similar hospitals) thereby distorting the operating cost data.

The limitations do not apply to small rural hospitals. These are defined as entities which: (a) are located outside a standard metropolitan statistical area; (b) have less than 50 beds; and (c) were in operation and had less than 50 beds on the date of enactment.

(B) THREE-YEAR RATE OF INCREASE PROVISION

Prior law:

No previous provision.

Explanation of law as amended by Public Law 97–248:

A "target" reimbursement system is established. The target rate is the previous year's allowable operating costs per case (or, after the first year, the previous year's target amount) increased by the percentage increase in the hospital wage and price index plus one percentage point. A hospital with operating costs below the target rate is paid its costs plus a bonus of 50 percent of the savings (not to exceed 5 percent of the target rate); a hospital with costs above the target rate is allowed 25 percent of its costs in excess of the target for the first 2 years; none of the excess would be reimbursed in the third year. Provider payments under the target reimbursement system could not exceed the amount payable under the section 223 limitations.

The Secretary of HHS is required to provide for appropriate exemptions, exceptions, and adjustments from the limits in cases where events beyond the hospital's control or extraordinary circumstances, including changes in the case mix of such hospital, distort the increase in costs for two cost accounting periods.

The target reimbursement system is applicable to a hospital's first three cost-reporting periods beginning on or after October 1, 1982, but cease upon implementation of a prospective payment system.

(C) NONPROFIT HOSPITALS THAT DROP SOCIAL SECURITY COVERAGE FOR EMPLOYEES

Prior law:

None.

Explanation of law as amended by Public Law 97-248:

The Act provides that in the case of a hospital that terminates social security coverage for its employees on or after August 16, 1982, the Secretary is directed to reduce medicare payments (for purposes of both section 223 limits and the rate of increase calculation) to the extent such payments would have been reduced had the hospital been subject to FICA taxes. If the hospital so requests, the Secretary is authorized to offset against this reduction an amount equal to any pension and health costs the hospital demonstrates to the satisfaction of the Secretary that it has assumed in lieu of the FICA taxes it no longer pays with respect to its employees.

(D) PROSPECTIVE PAYMENTS FOR HOSPITALS AND SKILLED NURSING FACILITIES

Prior law:

Hospitals and skilled nursing facilities were paid on the basis of the costs they actually incurred, retrospectively determined, in caring for medicare patients.

Explanation of law as amended by Public Law 97-248:

The Secretary is required to develop, in consultation with the Senate Committee on Finance and the House Committee on Ways and Means, medicare prospective reimbursement proposals for hospitals, skilled nursing facilities and, to the extent feasible, other providers, and to report to the committees on the proposals within 5 months of the date of enactment.

(E) RECOGNITION OF STATE HOSPITAL COST CONTROL SYSTEMS

Prior law:

Prior law authorized the Secretary to establish and continue medicare hospital reimbursement demonstration projects.

Explanation of law as amended by Public Law 97-248:

The Secretary is authorized to provide, at the request of a State, that medicare hospital payments be made under a hospital reimbursement control system in the State if, and so long as: (1) the system applies to substantially all non-Federal hospitals and at least 75 percent of hospital inpatient revenues in the State; (2) the system treats payors, hospital employees, and patients equitably; and (3) the Secretary is satisfied that it will not result in greater medicare expenditures over a 3-year period. In making this determination, the Secretary can recognize previous cost savings under the system. With respect to the authority provided to the Secretary under prior law to establish and continue medicare demonstration projects, the Secretary is prohibited from terminating a project for 6 months after he notifies the State of his decision to terminate.

Impact:

The Secretary has approved a different methodology of making payments to hospitals in the States of Maryland, New Jersey, New York and Massachusetts as of January 15, 1983.

CBO estimates that the overall impact of these provisions will reduce medicare payments to hospitals by $895, $2,380, and $4,610 million for fiscal years 1983, 1984, and 1985, respectively.

Table 9 below shows the breakdown of estimated savings from the hospital reimbursement provision in Public Law 97-248.

TABLE 9.—BREAKDOWN OF ESTIMATED SAVINGS FROM THE HOSPITAL REIMBURSEMENT PROVISIONS, FISCAL YEARS 1983-1985

[In millions of dollars]

	1983	1984	1985	1986
Savings from 223 limits [1]	25	510	1,110	1,490
Savings from growth target	930	1,990	3,540	1,590
Cost of bonus	−60	−120	−40	−20
Total net savings	895	2,380	4,610	3,060

[1] Savings net of routine limits repeal.

Table 10 presents the estimated percentage of hospitals above 223 limits, above the growth target and above both. It also shows the estimated percentage of hospitals which will receive reduced payments in fiscal year 1983 (74 percent—64 percent due to growth target and 10 percent by 223 limits) and the percentage of hospitals (26 percent) which will receive a bonus.

TABLE 10.—ESTIMATED PERCENT OF HOSPITALS AFFECTED BY MEDICARE HOSPITAL REIMBURSEMENT CHANGES, FISCAL YEARS 1983–1985 [1]

	1983	1984	1985
Above 223 limits	20	26	31
Above growth target	67	70	85
Above both	9	15	20
Reduced by limits	10	13	14
Reduced by growth target	64	63	73
Receive bonus	26	24	13

[1] Estimates are on a full-year basis, excluding the effects of the phase-in, and successful appeals.

ELIMINATION OF PRIVATE ROOM SUBSIDY

Prior law:

Medicare determined its payments to hospitals on the basis of the average costs for all its accommodations, including the additional costs of private rooms even though medicare generally was intended to cover only the costs of semi-private room accommodations.

Explanation of law as amended by Public Law 97–248:

The law requires the Secretary to publish regulations which would eliminate the subsidy for the extra cost of private rooms.

Effective date:

Cost reporting periods beginning on or after October 1, 1982.

Impact:

CBO estimates savings of $35, $75, and $80 million for fiscal years 1983, 1984, and 1985.

SINGLE REIMBURSEMENT LIMITS FOR SKILLED NURSING FACILITIES AND HOME HEALTH AGENCIES

Prior law:

Regulations established different reimbursement limits for skilled nursing facilities and home health agencies depending on whether they were hospital-based or freestanding facilities.

Explanation of law as amended by Public Law 97–248:

The Secretary is to establish a single payment limit for hospital-based and freestanding skilled nursing facilities and a single payment limit for home health agencies on the basis of the cost experience of freestanding facilities.

Effective date:

Home health agency reporting periods beginning on or after September 3, 1982; skilled nursing facility cost accounting periods beginning on or after October 1, 1982.

Impact:

CBO estimates savings of $20, $53, and $62 million for fiscal years 1983, 1984, and 1985, respectively.

Elimination of Duplicate Payments for Outpatient Services

Prior law:

Under medicare part B, charges billed by physicians that are recognized as "reasonable" for reimbursement purposes were limited by customary and prevailing charge screens. Annual increases in prevailing charge screens could not exceed annual increases in the economic index; this index reflected increases in input costs for physicians' services and general earnings increases. Overhead costs (e.g. utilities, nursing staff, etc.) were factored into this calculation. While a physician paid for his office overhead, similar costs for services he rendered in a hospital outpatient department were borne by the institution and covered under its reimbursement.

Impact:

CBO estimates that medicare payments to doctors will be reduced by $75, $135, and $175 million for fiscal years 1983, 1984, and 1985, respectively, as a result of this provision.

Audit and Medical Claims Review

Prior law:

Medicare contracts with intermediaries and carriers to perform a variety of day-to-day administrative and operational tasks for the program, including the processing and review of claims and the conduct of audits.

Explanation of law as amended by Public Law 97-248:

The Act requires that the medicare contractor budgets for fiscal years 1983, 1984, and 1985 be supplemented by $45 million in each year to be spent for contractor audit and medical review activities.

Effective date:

October 1, 1982.

Impact:

CBO estimates the provision will reduce medicare expenditures by $85, $215, and $215 million for fiscal years 1983, 1984, and 1985, respectively.

Temporary Delay in Periodic Interim Payments

Prior law:

Hospitals could receive payments for services rendered to beneficiaries on the basis of periodic interim payments (PIP) that resulted in an average 3-week lag between the rendering of service and the receipt of payment.

Explanation of law as amended by Public Law 97-248:

The Act changes the periodic interim payment procedure by providing for a delay in the flow of PIP payments during September 1983. A similar deferral is authorized during September 1984.

Effective date:

October 1, 1982.

Impact:

CBO estimates this provision will reduce medicare payments to hospitals by $750 million in fiscal year 1983, reduce payments by $100 million in fiscal year 1984 and increase payments to hospitals by $870 million in fiscal year 1985.

REIMBURSEMENT OF ASSISTANTS AT SURGERY

Prior law:

Part B carriers had discretion for reimbursing assistants at surgery, and generally followed local medical practice and/or private sector reimbursement policies.

Explanation of law as amended by Public Law 97-248:

The Act prohibits reasonable charge reimbursement for an assistant at surgery in hospitals where an approved training program exists in the specialty, except under the following exceptional circumstances: (1) the service is complex and requires performance by a team of physicians; (2) the patient has multiple conditions which require the presence of, and active care by, a physician of another specialty during an operation; (3) exceptional medical circumstances; and (4) other exceptional circumstances as determined by the Secretary.

Effective date:

Applies with respect to services performed on or after October 1, 1982. Regulations must be issued by that date. If they are issued on an interim final basis, public comments must be solicited and appropriate revisions made prior to February 1, 1983.

Impact:

CBO estimates that this provision will reduce medicare expenditures by $24, $63, and $113 million for fiscal years 1983, 1984, and 1985, respectively.

PROHIBITION OF PAYMENT FOR INEFFECTIVE DRUGS

Prior law:

Section 2103 of the Omnibus Budget Reconciliation Act of 1981 prohibited the use of Federal funds under medicare part B and under medicaid to pay for certain less than effective drugs. Subsequent legislation had led to delays in the implementation of this provision.

Explanation of law as amended by Public Law 97-248:

The Act implements section 2103 of the Omnibus Budget Reconciliation Act of 1981.

Effective date:

October 1, 1982.

Impact:

No budget impact.

HEALTH MAINTENANCE ORGANIZATIONS AND OTHER COMPETITIVE MEDICAL PLANS

Prior law:

Under prior law, health maintenance organizations (HMOs) were reimbursed on a prepaid basis for services covered under both parts A and B of medicare according to the authority established in section 1876 of the Social Security Act. Both mature and developing HMOs could choose to enter into cost contracts under which they were reimbursed for the reasonable costs of providing covered services. HMOs meeting certain enrollment and other requirements were defined as mature HMOs and were eligible to enter into risk sharing contracts. Under risk contracts, reimbursement was based on a comparison of the HMO's cost with the Adjusted Average Per Capita Cost (AAPCC), which reflects costs in the geographic area adjusted by specified actuarial factors. If a risk-based HMO's costs were less than the AAPCC, it could have received savings up to 10 percent of its AAPCC; it was not required to provide additional benefits with the savings. If the HMO's costs were higher, it had to absorb the loss, which could have been carried forward and offset against future savings.

Explanation of law as amended by Public Law 97-248:

Section 114 of the Act replaces the existing section 1876 with a new provision which authorizes reimbursement contracts with HMOs or "competitive medical plans" on a risk sharing (prospective) basis. If an entity does not have the capacity to bear the risk of potential losses, or so elects, or has less than 5,000 members it may enter a reasonable cost reimbursement contract. The following describes the main features of the new provision compared with prior law.

(A) ELIGIBLE ORGANIZATION

Prior law:

An eligible entity must meet standards of federally-qualified HMO's.

Explanation of law as amended by Public Law 97-248:

An eligible entity is defined as a public or private entity organized under the laws of any State, which is a federally qualified HMO or meets the following requirements:

It provides at least physicians' services, inpatient hospital services, laboratory, X-ray and emergency services, and out-of-area coverage;

Physicians' services are provided primarily by physicians who are employees or partners of the plan or through contracts with individual physicians or groups;

The entity assumes full financial risk (except that the entity may obtain insurance against or make other arrangements for specified circumstances);

It has made adequate provision against risk of insolvency.

(B) PLAN QUALIFICATION STANDARDS

Prior law:

Plan qualification standards had to provide parts A and B services which were available to persons residing in geographic area of plan and urgently needed services outside of plan area.

Explanation of law as amended by Public Law 97-248:

An eligible entity must fulfill the following requirements:

Provide at least the services listed under medicare parts A and B which are available to individuals residing in the geographic area served by the plan (It may provide additional benefits if approved by the Secretary or elected by the beneficiaries);

Meet specified enrollment standards (see item C below);

Meet standards (as established by the Secretary) for consumer information to beneficiaries;

Make services available and accessible;

Provide for reimbursement for emergency services provided outside of the plan;

Provide meaningful hearing and grievance procedures; and

Have arrangements for an ongoing quality assurance program.

(C) ELIGIBILITY/ENROLLMENT

Prior law:

Persons entitled to part A and enrolled in part B and persons enrolled only in part B were those beneficiaries eligible for enrollment in plans. Fifty percent of enrollees had to be under 65 years of age. An annual enrollment period was required. Plans had to accept enrollees in order of application up to capacity except if to do so would result in nonrepresentative enrollment. Plans had to accept ESRD patient in proportion to their number in the general medicare population. Beneficiaries could disenroll for any reason at any time, effective the month of request.

Explanation of law as amended by Public Law 97-248:

All individuals entitled to services under medicare parts A and B, or part B only, except those with end stage renal disease, are eligible to enroll with any organization which has a medicare contract and serves the geographic area in which the individual resides. Plans must have an open enrollment period of at least 30 days per year and must accept medicare beneficiaries in the order they apply unless to do so would result in a nonrepresentative enrollment. Fifty percent of the enrollees must be other than medicare or medicaid beneficiaries except that this requirement may be waived by the Secretary. Beneficiaries may disenroll on a monthly basis with 1 month's notice. The organization may not expel or refuse to reenroll an individual because of health status or requirements for health care.

(D) PAYMENT

Prior law:

Under risk reimbursement the HMO was reimbursed its costs, and if the costs were under the "adjusted average per capita cost—AAPCC," (reflecting costs in geographic area of plan and adjusted by actuarial factors as were relevant, such as age, sex, race, institutional status and disability status), the HMO received 50 percent of those savings.

Explanation of law as amended by Public Law 97-248:

Medicare payment to an entity with a risk-sharing contract is to be made on a per capita basis for each class of beneficiary enrolled in the plan. The classes are to be based on such factors as age, disability status, and other factors the Secretary determines appropriate. The per capita rate for each class, determined annually, is to be 95 percent of the adjusted average per capita cost (AAPCC) for such class. The AAPCC is defined as the amount estimated in advance as the average cost of providing services to medicare beneficiaries in the same geographic area as the entity if the beneficiaries were not enrolled in the organization.

Monthly payments are to be made in advance to the organization (not the enrollee). Provision is made for a retroactive adjustment reflecting any difference between the estimated and actual number of enrollees.

(E) PREMIUMS AND COST SHARING

Prior law:

Premium rates or other charges to beneficiaries may not exceed the actuarial value of medicare's parts A and B deductible and coinsurance amounts for non-enrolled individuals. If additional services are provided, the portion of the premium for additional services and the actuarial value of cost-sharing charges for these services may not exceed the adjusted community rate (ACR) for such services.

The ACR is defined as either (a) the rate of payment determined under a community rating system defined under the Public Health Service Act; or (b) the portion of the weighted aggregate premium determined to be attributable to a particular service. In determining the ACR, appropriate adjustments are to be made to reflect differences in utilization patterns of medicare versus non-medicare enrollees.

Explanation of law as amended by Public Law 97-248:

Same.

(F) DISTRIBUTION OF PLAN SAVINGS

Prior law:

HMO with risk-sharing contract had no requirement for distribution of savings.

Explanation of law as amended by Public Law 97-248:

If the adjusted community rate (ACR) for medicare services to enrollees (reduced by the actuarial value of cost-sharing charges) is less than the average of the per capita rates of payment to the entity (i.e., 95 percent of the AAPCC), the plan must use the difference for a reduction in premiums, deductibles or copayments, and/or the provision of additional benefits. Alternatively, the organization may choose appropriate reductions in its payment rates.

(G) REASONABLE COST CONTRACTS

Prior law:

Reasonable cost reimbursement was available for parts A and B services or for part B services only.

Explanation of law as amended by Public Law 97-248:

The Secretary is authorized to enter into reasonable cost contracts with entities which either do not have the capacity to bear the risks of potential losses under risk contracts, which elect such cost contracts, or which do not meet the membership size limitations. Monthly per capita payments would be subject to retroactive corrective adjustment. Certain financial reporting and other requirements are specified.

(H) CONVERSION REQUIREMENT

Prior law:

Conversion limitations were not provided.

Explanation of law as amended by Public Law 97-248:

A plan with an existing cost contract in effect on the initial effective date (see below) must enroll two new medicare enrollees for each cost-based enrollee who converts. Selection must be made in a nonbiased manner.

Effective date:

Thirteen months after enactment or the first full month after which the Secretary reports that the methodology to make appropriate actuarial adjustments in the AAPCC is available, whichever is later.

Impact:

No budget impact.

TECHNICAL CORRECTIONS RELATING TO MEDICARE

Explanation of law as amended by Public Law 97-248.

The act makes miscellaneous technical corrections to the Omnibus Budget Reconciliation Act of 1981. (P.L. 97-35).

Effective date:

Effective as if such provisions had been originally included in or amended by the Omnibus Budget Reconciliation Act of 1981.

HOSPICE CARE

Prior law:

In general, medicare did not cover hospice care, although certain hospice-type services could be reimbursed when provided by existing certified providers, such as hospitals, nursing homes, and home health agencies. There were 26 ongoing medicare hospice demonstration projects.

Explanation of law as amended by Public Law 97-248:

The Act authorizes coverage for hospice care for terminally ill beneficiaries with life expectancy of 6 months or less. A beneficiary could elect to receive hospice care in lieu of most other medicare benefits except those of the attending physician for up to two periods of 90 days each plus one period of 30 days. Benefits provided would include nursing care, therapies, medical social services, homemaker-home health aide services, physician services, short-term inpatient care and outpatient drugs for pain relief. Reimbursement would be based on reasonable costs, or such other method as the Secretary determines to be appropriate, subject to a limit or cap amount set at 40 percent of the average medicare per capita expenditure during the last 6 months of life for medicare beneficiaries dying of cancer. Requires the Secretary to continue the existing HCFA demonstration programs until the effective date of hospice benefit.

The hospice program must have an interdisciplinary group of personnel which includes at least one physician, one registered professional nurse, and one social worker employed by the hospice, plus at least one pastoral or other counselor. Other requirements that a hospice must meet include: 1) maintenance of central clinical records on all patients; 2) use of volunteers in the provision of services in accordance with standards set by the Secretary to assure a continuing level of effort to use volunteers; 3) licensure in accordance with any applicable State or local law; and 4) agreement not to discontinue care to a patient because of the inability of the patient to pay for such care; and 5) meeting other health and safety standards set by the Secretary.

The hospice must be certified to participate in medicare as a separate provider category in accordance with requirements established by the Secretary. However, the Secretary is authorized to eliminate duplication where any hospice provider requirements are the same as requirements already met by the provider under other agreements with the Secretary, i.e., as a home health agency, skilled nursing facility, or hospital certified to participate in medicare.

There is no reimbursement under part B for an individual's attending physician who is employed by the hospice; counseling would be included as a core service; and non-core services could be provided, under arrangements, by others.

A 5-percent copayment on respite care services and a 5-percent copayment on drugs covered are required under the provision.

Effective date:

Authorizes coverage for hospice services for the period November 1, 1983–October 1, 1986. However, an individual who on October 1, 1986, has a hospice election in effect is entitled to hospice benefits after that date for the remainer of that period and for any subsequent consecutive period to which the individual would have been entitled before such date.

The Secretary is required to issue implementing regulations by September 1, 1983.

Impact:

CBO estimates that this provision will increase medicare expenditures by $1 million in fiscal year 1983 and $1 million in fiscal year 1984. During fiscal year 1985, the provision is estimated to save $16 million. This estimate assumes an average per capita saving of $235.

COVERAGE OF EXTENDED CARE SERVICES WITHOUT REGARD TO 3-DAY PRIOR HOSPITALIZATION REQUIREMENT

Prior law:

Medicare provided coverage of up to 100 days of "post-hospital" extended care services: in a qualified skilled nursing facility following a hospital stay by the beneficiary of at least 3 days.

Explanation of law as amended by Public Law 97–248:

The Act authorizes the Secretary of HHS to eliminate the 3-day prior hospital stay requirement for skilled nursing facility coverage at such time as, through reimbursement changes or other adjustments, he determines that such action will not lead to an increase in program costs and that it will not alter the acute care nature of the benefit.

Effective date:

Enactment.

Impact:

No budget impact.

PROHIBITING RECOGNITION OF PAYMENTS UNDER PERCENTAGE ARRANGEMENTS

Prior law:

For home health agencies only, in determining reasonable costs, the Secretary was to exclude any cost determined as a percentage of the agency's reimbursement or claim for reimbursement. There were no comparable provisions for other providers.

Explanation of law as amended by Public Law 97-248:

With respect to all providers, no cost incurred under a contract is considered reasonable if determined as a percentage (or other proportion) of the provider's reimbursement. The provision does not apply where costs incurred under a percentage arrangement are subject to the limitation on reimbursement of provider-based physicians established elsewhere in the Act.

Further, the provision does not apply to a percentage contract that is reasonable and where such contract is a customary commercial business practice or provides incentives for the efficient and economical operation of the provider of services.

Effective date:

Generally applies upon enactment. However, for arrangements entered into before enactment, applies 1 year after enactment, except where provider can unilaterally terminate an arrangement, in which case the provision applies 30 days after the first date that the provider can terminate arrangement.

Impact:

CBO estimates reduced medicare expenditures of $0, $17 and $20 million for fiscal years 1983, 1984, and 1985, respectively.

INTEREST CHARGES ON OVERPAYMENTS AND UNDERPAYMENTS

Prior law:

Providers and suppliers of services who received overpayments from the medicare program were not charged interest either for the period during which they had use of the money or for the period during which repayment was made. Similarly, medicare paid no interest on any underpayments it made to providers.

Explanation of law as amended by Public Law 97-248:

The Act requires interest payments with respect to medicare overpayments. Similarly, the medicare program would be required to pay providers interest on underpayments.

Effective date:

Applies with respect to final determinations made on or after September 3, 1982.

Impact:

CBO estimates increased income to the trust fund of $25, $25, and $20 million for fiscal years 1983, 1984, and 1985, respectively.

PROHIBITING PAYMENT FOR HILL-BURTON FREE CARE

Prior law:

To be eligible for Federal loan guarantees under the Hill-Burton Act, hospitals and SNFs had to agree to provide a reasonable volume of uncompensated services to persons unable to pay. A recent U.S. Court of Appeals decision held that the costs of providing such care were reimbursable under medicare although services were not provided directly to medicare beneficiaries.

Explanation of law as amended by Public Law 97-248:

The Act requires the Secretary to provide, by regulation, that the cost incurred by a hospital or SNF in complying with its free care obligation under the Hill-Burton Act would not be considered reasonable for purposes of medicare reimbursement.

Effective date:

Applies to the costs incurred on or after September 3, 1982.

Impact:

CBO estimates savings of $15, $17, and $20 million for fiscal years 1983, 1984, and 1985, respectively.

PROHIBITING PAYMENT FOR ANTI-UNIONIZATION ACTIVITIES

Prior Law:

Prior to 1982, the Secretary of HHS had, by regulation, excluded from allowable costs under medicare the cost incurred by a provider for the purpose of persuading its employees not to join a union because such costs were not related to patient care. In January 1982, the Secretary reversed the earlier policy.

Explanation of law as amended by Public Law 97-248:

The Act prohibits medicare reimbursement for costs incurred for activities directly related to influencing employees respecting proposed unionization.

Effective date:

Applies to costs incurred on or after September 13, 1982.

Impact:

No budget impact.

ELIMINATING "LESSER OF COST OR CHARGES" PROVISION

Prior law:

Payment for services furnished by providers was limited to the lower of the provider's customary charge or the reasonable cost of the service.

Explanation of law as amended by Public Law 97-248:

The Act provides that the lesser of cost or charges provision of prior law would not apply to a class of providers if the Secretary determines and certifies to Congress that elimination of the provision will not increase medicare payments to that class of providers.

Effective date:

Applies to services furnished, or cost accounting periods on or after the date the Secretary specifies in his certification to Congress.

Impact:

No budget impact.

EXTENDING MEDICARE PROFICIENCY EXAMINATION AUTHORITY

Prior law:

The Secretary of Health and Human Services was authorized to conduct a program to determine the proficiency of health care personnel, including clinical laboratory personnel who did not meet formal education requirements. The authority expired December 31, 1981.

Explanation of law as amended by Public Law 97-248:

The Act extends to September 30, 1983, the authority of the Secretary of HHS to conduct a program to determine the proficiency of health care personnel, including clinical laboratory personnel who do not meet certain formal education requirements.

Effective date:

September 3, 1982.

Impact:

No budget impact.

RETROACTIVITY OF REGULATIONS REGARDING ACCESS TO BOOKS AND RECORDS

Prior law:

Section 952 of P.L. 96-499, the Omnibus Budget Reconciliation Act of 1980, allowed the Secretary of HHS or Comptroller General to have access to the books and records of subcontractors who supply hospitals or other providers with goods and services valued at $10,000 or more over a 12-month period. The provision required that the Secretary prescribe in regulations the procedures and criteria to be used in obtaining access to the appropriate books, documents and records.

Explanation of law as amended by Public Law 97-248:

The Act prohibits the regulations from being applied retroactively unless such regulations are issued in final form prior to January 1, 1983, preceded by a comment period of no less than 60 days.

Effective date:

September 3, 1982.

Impact:

No budget impact.

PRIVATE SECTOR UTILIZATION REVIEW

Prior law:

Contractors (intermediaries and carriers) were responsible for reviewing utilization of medicare reimbursable services in areas not reserved for PSRO review.

Explanation of law as amended by Public Law 97-248:

The Act requires the Secretary of HHS to undertake an initiative to improve medical review by intermediaries and carriers under medicare and to encourage similar review efforts by private insurers and other private entities. The initiative includes the development of specific standards for measuring the performance of intermediaries and carriers with respect to the identification and reduction of unnecessary utilization of health services.

Effective date:

Enactment (September 3, 1982).

Impact:

No budget impact.

SPECIAL PART B ENROLLMENT WITHOUT PENALTY

Prior law:

Enrollment in part B of medicare was optional. Individuals could enroll in the program by paying the monthly premium. However, if they delayed enrollment beyond their initial enrollment period, they had to pay a monthly premium that was 10 percent higher for each year's delay in enrollment.

Explanation of law as amended by Public Law 97-248:

The Act requires a special open enrollment period under medicare during which time merchant seamen, whose free health care coverage under the Public Health Service Act was eliminated in 1981, could enroll without being required to pay a late penalty.

Effective date:

The Act establishes a special enrollment period for part B beginning on November 1, 1982, and ending on December 31, 1982. During that period, merchant seamen and certain other individuals have a one time opportunity to enroll in part B without incurring the penalty for delayed enrollment.

Impact:

Negligible budget impact.

ESTABLISHMENT OF UTILIZATION AND QUALITY CONTROL PEER REVIEW PROGRAM

Prior law:

The Social Security Amendments of 1972 provided for the establishment of Professional Standards Review Organizations (PSRO's) throughout the country which are charged with the comprehensive and on-going review of services provided under medicare, medicaid, and the maternal and child health programs. PSRO's determine, for purposes of reimbursement under these programs, whether services are: (1) medically necessary, (2) provided in accordance with professional standards, and (3) in the case of institutional services, rendered in the appropriate setting.

PSRO's were formed by organizations representing substantial numbers of practicing physicians in geographic areas nationwide. In 1980, there were 47 fully designated and 140 conditionally designated PSRO's in operation.

The major focus of the PSRO program has been on the review of inpatient hospital services. While PSRO's are also charged with review responsibilities in other health care settings, budget limitations have limited review outside the hospital setting.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) required the Secretary of Health and Human Services to assess the relative performance of PSRO's and authorized the Secretary to terminate up to one-third of all PSRO's prior to October 1, 1982, based on such assessment. Further, under the law, PSRO's are no longer reimbursed directly for review of medicaid services. A State, at its option, may contract with a PSRO for medicaid review with the Federal matching funds of 75 percent.

Explanation of law as amended by Public Law 97-248:

The Act repeals the existing part B of title XI of the Social Security Act (relating to PSROs) and establishes a new program.

A peer review organization is defined as an entity which is either composed of a substantial number of the licensed doctors of medicine and osteopathy practicing in the area, or has available to it sufficient numbers of such physicians so that adequate peer review of various medical services can be assured. Further, the entity must be able to perform the required review functions.

The Secretary is required to consolidate existing PSRO geographic areas, with each State generally designated as a single area. Local or regional areas could not be designated unless: the Secretary determines that such designation would promote efficiency; the State has over 180,000 annual medicare/medicaid hospital admissions; the local or regional area has over 60,000 total annual hospital admissions; and such local or regional area is a self-contained medical service area having a full spectrum of services including medical specialists' services.

The Secretary is required to enter into a contract with a peer review organization for each geographic area. Priority consideration must be given to physician-sponsored organizations; payor organizations are excluded from consideration during the first 12 months that contract applications are considered. Contracts with provider or provider-affiliated organizations are prohibited though subcontracts with such entities are permitted.

The law provides that contracts are for an initial period of 2 years, renewable biennially. The legislation authorizes the Secretary to terminate the contract, upon 90 days notice to the entity, if he determines that (a) it does not meet the definition of a peer review organization; or (b) it has failed to comply substantially with the contract but only after it has had the opportunity to submit relevant data and to have such data reviewed by a panel (consisting of members of other peer review organizations). The panel's findings may or may not be accepted by the Secretary. The Secretary's termination decisions are not subject to judicial review.

These entities may review, subject to the provisions of the contracts, the professional activities of physicians, other practitioners and institutional and noninstitutional providers in rendering services to medicare beneficiaries. The review is to focus on the necessity and reasonableness of care, quality of care, and the appropriateness of the setting. The determinations of the peer review organizations would ordinarily be binding for purposes of determining whether benefits should be paid. The Act also includes provisions relating to notification of individuals or organizations affected by decisions of the peer review organization, use of professionally developed norms of care based on practice patterns within the geographic area, consultation with nurses and other nonphysician health care practitioners, maintenance of records, and coordination of activities with other public and private agencies or organizations.

Final denial decisions by the review body can only be made by duly licensed doctors of medicine, osteopathy and dentistry, as appropriate. Physicians are barred from reviewing services for which they are directly responsible or services provided in an institution in which they or a family member have significant financial interest.

The Act requires the peer review organization to make available its facilities and resources to private payors paying for health care in their areas.

Beneficiaries and providers are entitled to a reconsideration by the reviewing organization of any determination made by it. Beneficiaries are entitled to a hearing by the Secretary on adverse redeterminations where the amount in controversy is $200 or more and to judicial review of the Secretary's final determination where such amount is $2,000 or more.

If a review organization determines, after notice and opportunity for discussion, that a practitioner or provider has persisted in or has grossly violated his obligation to provide services which are medically necessary, meet professionally recognized standards of care and are cost effective, it may recommend exclusion from the program. Where the Secretary fails to act on the recommendation of a review organization within 120 days, the practitioner or provider in question will be excluded from medicare reimbursement until the Secretary determines otherwise. Similarly, the Secretary's decision to exclude a practitioner or provider shall remain in effect until he finds and gives reasonable notice to the public that the basis for the exclusion has been removed and is not likely to recur. In lieu of an exclusion, the Secretary may require payment of an amount not in excess of the actual or estimated cost of medically improper or unnecessary services.

Practitioners or providers dissatisfied with the Secretary's sanction determinations are entitled to a hearing by the Secretary and judicial review of the Secretary's final determination.

Members of review organizations are protected from civil liability and criminal prosecution when carrying out review functions, providing they exercise due care. Similarly, persons providing information to these organizations are protected unless they know the information is false or unrelated to the organization's activity. Physicians and providers are exempted from civil liability arising from compliance with professionally developed norms of care and treatment utilized by the review organization provided they exercise due care.

States are authorized to contract with review organizations for medicaid review. Seventy-five percent Federal matching is authorized for such purpose. Funding from the medicare trust funds is also authorized.

Review organizations are exempted from the Freedom of Information Act. Any information acquired by them is to be held in confidence and disclosed only to the extent necessary to carry out the program's purposes, to assure adequate protection of the rights and interests of patients and practitioners, or to comply with specified disclosure provisions. Under these provisions, the organization is required to disclose information (which may identify specific providers and practitioners) to: (a) a Federal or State fraud and abuse agency or State licensing or certification agency at the request of such agency on a case-by-case basis; and (b) the appropriate State agency when there is reason to believe that a risk to public health exists. The organization is also required to provide aggregate statistical data to health planning agencies. No patient record in possession of a review organization is subject to subpoena or discovery proceedings in a civil action.

The penalty for unauthorized disclosure is not more than $1,000 and/or up to 6 months imprisonment. Further, the convicted individual is required to pay the prosecution costs.

The Secretary is required to submit an annual report to Congress prior to April 1 on the administration, impact and cost of the program.

The Secretary is prohibited from terminating or failing to review PSRO contracts in effect on September 3, 1982, until be enters into a contract with a peer review organization in the area. Renewal contracts with PSROs may be for periods of less than 12 months.

Effective date:

Enactment subject to the provision of the above paragraph.

Impact:

CBO estimates savings of $0, $15 and $20 million for fiscal years 1983, 1984, and 1985, respectively.

MEDICARE COVERAGE OF FEDERAL EMPLOYMENT

Prior law:

Most workers in the United States become entitled to protection under the part A portion of medicare by working in employment covered by the Social Security System and by paying a hospital insurance tax (in conjunction with their Social Security tax). This hospital insurance tax is currently 1.3 percent of the first $35,700 of covered earnings. Equal employer contributions are also required. Regular employment in the civilian workforce of the Federal Government has been excluded from the Social Security System. Therefore, civilian Federal workers have neither paid the Hospital Insurance tax nor earned Hospital Insurance coverage. Instead, they have participated in and contributed to their own staff retirement and employee benefits programs, including health benefit plans. However, many Federal employees (or their spouses) have worked long enough in employment covered by Social Security to also be eligible for medicare.

Explanation of law as amended by Public Law 97-248:

The Hospital Insurance tax (with minor exceptions) will apply to all Federal employment not otherwise subject to Social Security taxes. Such employment includes employment in the executive, legislative and judicial branches and other elements of the Federal Government including, for example, the President and Vice President, Members of Congress, Supreme Court Justices and the Postal Service. The tax would not apply to services performed by inmates of Federal penal institutions, services performed by certain student health personnel in facilities operated by the Federal Government or to certain temporary emergency employment.

The Secretary of HHS and the Director of the Office of Personnel Management are directed to assure that persons who perform medicare qualified employment are fully informed about the terms and conditions of medicare eligibility (especially those who might be or become eligible on the basis of disability).

Federal employees will receive (and certain other persons, such as the worker's spouse) credit for previous non-taxed Federal employment, but only for purposes of establishing entitlement to hospital insurance, if such worker performs Federal service both during January 1983 and before January 1, 1983. Appropriations are authorized to make such payments to the Hospital Insurance Trust Fund as may be required because of the transitional provisions.

Effective date:

Taxes apply to remuneration paid after December 31, 1982. Coverage may begin on or after January 1, 1983 (depending on when an individual becomes entitled to benefits); however, coverage for persons entitled to benefits on the basis of disability cannot begin until on or after June 1, 1985.

Impact:

CBO estimates additional revenue to the medicare trust fund of $1,260, $1,748, and $1,936 million for fiscal years 1983, 1984, and 1985, respectively. The impact upon the unified budget deficit is $746, $1,034, and $1,142 million for fiscal years 1983, 1984, and 1985, respectively. During 1983, approximately 10,000 Federal employees will receive hospital insurance benefits as a result of this provision. Additional outlays from the Hospital Insurance Fund will be $10, $15, and $20 million for fiscal years 1983 to 1985, respectively.

APPENDIX I. SUMMARY AND IMPACT OF MAJOR CHANGES ENACTED INTO LAW DURING 1981 FOR SPENDING PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

SUMMARY TABLES

This appendix summarizes the major legislative changes enacted into law during 1981 which affect the programs with spending authority within the jurisdiction of the Committee on Ways and Means. The changes affecting revenue to the railroad retirement program and the legislative changes to the black lung program are not described.

Table 1 presents estimates made in January 1982 of the total amount of outlay reductions by major program area. Table 2 is identical to Table 1 except that the estimates were made in January 1983. Table 3 is a detailed listing of the budget reductions by provision. These three tables were provided by the Congressional Budget Office and Tables 1 and 3 reflect their estimates as of January 1982.

Table 4, again prepared in January 1982, estimates the number of individuals and the average reduction in benefits as a result of the legislative changes. The reduction in benefits is an average first full year impact number for the individuals affected. For example, the number of individuals affected by the elimination of the minimum benefits is 100,000 individuals. Each month approximately 8,000 individuals lose benefits. The average reduction is computed as the average amount of benefits lost for those losing benefits in the first month. This is a reasonable proxy for the average reduction in benefits for the first year the affected individuals lose benefits.

Tables 1, 2 and 3 contain the budget impact of all proposals having a non-negligible impact upon the budget. The text describes those provisions where outlays are reduced by at least $15 million over the three-year period from fiscal years 1982 to 1984.

TABLE 1.—OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1981 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

JANUARY 1982 ESTIMATES

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Trade adjustment assistance	−600	−380	−270
Social security [2]	−1,702	−2,880	−3,742
Unemployment compensation	−2,443	−4,245	−3,791
Aid to families with dependent children and child support enforcement	−659	−858	−882
Supplemental security income	72	43	57
Social services block grant	−685	−748	−804
Medicare:			
Hospital insurance [3]	−476	−674	−801
Supplementary medical insurance	−406	−600	−675
Total	−6,899	−10,342	−10,908

[1] See footnotes on table 3. This table does not include any changes in the low-income energy assistance program.

[2] Does not include the impact of revenue increases; only budget outlay reductions.

[3] Does not include cash flow saving associated with the change made in the periodic interim payment procedure.

TABLE 2.—OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1981 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

JANUARY 1983 ESTIMATES

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Trade adjustment assistance	−1,100	−930	−550
Social security [2]	−1,700	−2,875	−3,775
Unemployment compensation	−2,370	−3,713	−5,243
Aid to families with dependent children and child support enforcement	−875	−1,077	−1,075
Supplemental security income	32	18	41
Social services block grant	−699	−748	−804
Medicare:			
Hospital insurance [3]	−360	−422	−479
Supplementary medical insurance	−175	−275	−319
Total	−7,247	−10,022	−12,204

[1] See footnotes on table 3.

[2] Does not include the impact of revenue increases; only budget outlay reductions.

[3] Does not include cash flow saving associated with the change made in the periodic interim payment procedure.

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981

JANUARY 1982 ESTIMATES

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Trade:			
Revisions to trade adjustment assistance	−600	−380	−270
Social security:			
Elimination of minimum benefit for future beneficiaries	−81	−180	−210
Elimination of benefits for postsecondary students	−567	−1,580	−2,033
Restrictions on payment of lump-sum death benefits	−200	−210	−215
Modification of month of initial entitlement for certain workers and their dependents	−190	−220	−240
Temporary extension of earnings limitation to include all persons aged less than 72	−380	−120	0
Termination of mother's and father's benefits when youngest child attains age 16	−30	−88	−496
Modification of rounding rules	−79	−272	−314
Cost reimbursement for provision of earnings information	−1	−2	−5
Revision of reimbursements for vocational rehabilitation services	−87	−86	−73
Modify workmen's compensation offset to: (1) Apply offset to certain other public disability benefits-mega-cap; (2) apply offset to benefits of workers aged 62 to 64; and (3) begin offset in first month of dual benefit payment	−87	−122	−156
Extension of coverage to first 6 months of sick pay (revenue increase)	−534	−762	−828
Total—Social security	−2,236	−3,642	−4,570
Unemployment compensation:			
Elimination of national trigger under the extended benefits program	−827	−1,273	−1,418
Raise State triggers to 5 percent plus 120 percent or 6 percent	0	−1,152	−448
Claims for extended or additional compensation not included in determining rate of insured unemployment for extended benefit trigger calculation	−1,286	−1,283	−1,225
Require 20 weeks of work or equivalent wages for extended benefits	0	−4	−3
Limitations on unemployment benefits paid to ex-service members	−325	−376	−347
Federal unemployment compensation loans to States	−5	−157	−350
Total—Unemployment compensation	−2,443	−4,245	−3,791
AFDC:			
Limitation and standardization of earnings disregards	−156	−159	−162

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981—Continued

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Determination of resources	−16	−17	−17
Permit offset for food stamps and housing subsidies	−10	−10	−11
Community work experience programs	NA	NA	NA
Lump-sum payments	−5	−5	−5
Income of stepparents living with dependent child	−154	−145	−136
Effect of participation in a strike on eligibility for AFDC	−5	−5	−5
Age limit of dependent child	−50	−52	−54
Limitation on AFDC pregnant women	−20	−21	−21
Recover overpayments/pay underpayments	−115	−110	−106
Reduce Federal matching for training	−16	−17	−18
Restrospective accounting and monthly reporting	0	−187	−195
Eligibility of aliens for AFDC	−15	−15	−15
Administrative savings	−11	−14	−18
Total—AFDC [2]	−573	−757	−763
Child support enforcement:			
Collection of past-due child and spousal support from Federal tax refunds	−24	−26	−29
Collection of support for certain adults	−20	−20	−20
Cost of collection and other services for non-AFDC families	−10	−20	−30
Child support obligations not discharged by bankruptcy	−15	−18	−23
Child support intercept of unemployment benefits	−17	−17	−17
Total—Child support enforcement	−86	−101	−119
Supplemental security income:			
Restrospective accounting	+77	+28	+24
Revision of reimbursements for vocational rehabilitation services	−20	−18	−15
Elimination of OASDI minimum benefit for future beneficiaries	+15	+33	+48
Total—Supplemental security income	+72	+43	+57
Social Services (title XX):			
Social services block grant	−685	−748	−804
Low income energy assistance:			
Low income energy assistance block grant [3]	−495	−672	−992
Medicare (provisions affecting hospital insurance):			
Making part A deductible and coinsurance more current (increasing deductible to $260 in 1982)	−185	−305	−360
Less frequent SNF surveys	−4	−4	−4
Repeal of temporary delay in periodic interim payments	−692	0	0
Making part A coinsurance current with the year in which services are furnished	−5	−10	−10

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981—Continued

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Set section 223 limits on reimbursements to hospitals at 108 percent	−75	−105	−125
Limit nursing differential to 5 percent	−95	−105	−130
Elimination of occupancy test for hospital long-term care	−70	−80	−90
Set section 223 limits on reimbursement to home health agencies at 45th percentile	−12	−23	−27
PSRO modifications	−5	−8	−5
Payments to promote closing and conversion of underutilized facilities	−2	−7	−19
Elimination of need for occupational therapy as a basis for entitlement to home health services	−23	−27	−31
Eliminate reimbursement for free-standing alcohol detoxification facilities	([4])	([4])	([4])
Total—Hospital insurance	−1,168	−674	−801
(Provisions affecting supplementary medical insurance):			
Increase in part B deductible and elimination of carryover from previous year	−175	−265	−295
Civil money penalties	−7	−7	−7
Elimination of unlimited open enrollment	−9	−10	−11
Limitation on reasonable charge for outpatie[illegible]	−15	−23	−27
Incentive reimbursement rate for renal dia[illegible] ser[illegible]	−105	−130	−155
Medicare payments secondary in cases [illegible] end-[illegible] disease (revenue increase)	−95	−165	−180
Total—Supplementary medical insurance	−406	−600	−675

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[1] This table reflects revised estimates from the Congressional Budget Office which show the impact of the legislative changes enacted during 1981. With the exception of unemployment compensation, the numbers are not extremely sensitive to economic conditions. Thus any changes to the numbers from earlier estimates represent different assumptions.

[2] Does not include any resulting impact upon the medicaid or food stamp programs.

[3] These savings estimates are computed from a CBO baseline of $2,247, $2,547 and $2,867 for fiscal years 1982 to 1984 respectively. The 1982 number also reflects the appropriation level contained in the continuing resolution enacted December 1982. It is assumed the program will be funded at its authorization level in fiscal years 1983 and 1984.

[4] Negligible.

[5] CBO and Administration estimate that was used during the 1981 reconciliation process.

Notes. Minus (−) indicates an expenditure reduction or revenue increase, plus (+) indicates an expenditure increase or revenue decrease.

Unemployment compensation changes are done in a particular order and thus these estimates should not be used as independent estimates. The order chosen was: (1) raising the State trigger; (2) changing the definition of insured unemployment rate; and (3) eliminating the national trigger. If the national trigger were restored without the other two changes, the cost estimate would increase. The total amount of savings is correct.

TABLE 4.—NUMBER OF INDIVIDUALS/FAMILIES AND AVERAGE DOLLARS LOSS PER YEAR FOR SELECTED MAJOR CHANGES ENACTED DURING 1981

JANUARY 1982 ESTIMATES

Program change	Number of individuals/families	Average dollar loss (full year basis)
AFDC: [1]		
Tightening of earnings disregards.	260,000 families with reduced benefits (6.9 percent of caseload). 300,000 families with benefits eliminated (8.0 percent of caseload).	$1,400 plus loss of medicaid for the families eliminated.
Counting of step-parents' income.	100,000 families	1,950 plus medicaid.
Social security: [2]		
Elimination of minimum benefit for future beneficiaries.	100,000	400
Reduced insurance benefits for post-secondary education.	250,000 individuals with benefits eliminated beginning June 1982.	3,450
	360,000 individuals with reduced benefits beginning September 1982.	1,910
Modification of month of initial entitlement for certain workers.	410,000 individuals	330
Temporary extension of earnings limitation to include all persons aged less than 72.	200,000 individuals	2,500
Modification of worker's compensation offset to apply to workers aged 62 to 64.[3]	4,000 individuals	1,500
Termination of parent's benefit when child attains age 16.	By August 1983, 200,000 individuals will have benefits eliminated.	2,500
Restriction on lump sum death benefit.	785,000 payments	255
Unemployment compensation: [4]		
Elimination of national trigger:		
Fiscal year 1982	766,000 individuals	1,080
Fiscal year 1983	1,086,000 individuals	1,172
Fiscal year 1984	1,183,000 individuals	1,200
Redefinition of State trigger calculation:		
Fiscal year 1982	1,085,000 individuals	1,185
Fiscal year 1983	1,074,000 individuals	1,195
Fiscal year 1984	906,000 individuals	1,352

Higher State trigger requirements:		
Fiscal year 1983	982,000 individuals	1,173
Fiscal year 1984	381,000 individuals	1,281
New eligibility requirements for ex-service members, fiscal year 1982.	157,000 individuals	2,070
Medicare:		
Changes in beneficiary cost-sharing provisions.	19,000,000 individuals	19
Trade adjustment assistance:		
Changes in calculation of benfits.	234,000 individuals	2,664

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[1] Based upon HHS and committee staff tabulations.

[2] Based upon numbers provided by the Office of the Actuary.

[3] Only includes the number of individuals turning 62 throughout the year. This number does not include those already 62–64 who are impacted by the change.

[4] Based upon analysis by the Congressional Budget Office. All of the unemployment compensation changes are extremely sensitive to economic conditions. These estimates are based upon CBO baseline economic assumptions made in January 1982.

PRELIMINARY IMPACT FOR TWO OF THE 1981 LEGISLATIVE CHANGES

The impact of the IRS offset program

The Omnibus Budget Reconciliation Act of 1981 included a provision requiring the collection of past-due child and spousal support from Federal tax refunds in the case of families receiving AFDC. This provision amplified previously existing authority in the following way: Upon receiving notice from a State child support agency that an individual owes past-due support which has been assigned to the State as a condition of AFDC eligibility, the Secretary of the Treasury is required to withhold from any tax refunds due that individual, an amount equal to any past-due support. The withheld amount is sent to the State agency, together with notice of the taxpayer's current address. Under HHS procedures, the States submit annually to HHS reports of delinquent child support cases. These reports are submitted on magnetic tape and contain the name and social security number of the absent parent and the amount of the delinquency. HHS consolidates the cases from all the States and, in turn, submits them to IRS in a format suitable for the technical requirements of IRS. The data are sent from the States to HHS in about October, and HHS submits the tapes to IRS in December. the IRS then uses the information to offset refunds from tax returns filed between January 1 and April 15.

In summary, there are now two IRS collection procedures available to States. Under the previously existing procedure, States could submit individual delinquent cases at any time during the year for collection by IRS using its full collection powers. The fee is currently $122.50 per case. Under the new procedure, States submit once a year a number of cases on magnetic tape. For these cases, IRS will only offset delinquencies against any tax refund it may owe the absent parent. Because this new offset procedure will be highly automated, the fee of each of these cases is substantially lower than $122.50.

Table 5 shows the collections of child support payments during fiscal year 1982 under the two different collection mechanisms. The table indicates that the new method of collection, the offset of tax refunds, was a far more more effective collection procedure in that year. Approximatley $166 million was collected in fiscal year 1982.

TABLE 5.—IRS CHILD SUPPORT COLLECTIONS, FISCAL YEAR 1982

States	IRS full collection procedure		OBRA tax refund offset	
	Collections made	Amount collected	Cases offset	Amount offset [2]
Total	1,384	$564,272	262,030	$166,260,000
Alabama	0	0	1,600	903,200
Alaska [1]			90	104,200
Arizona [1]			(3)	(3)
Arkansas	14	2,687	1,440	686,800
California	72	62,786	66,450	44,548,400
Colorado	4	11,862	2,020	1,303,500
Connecticut	53	15,282	11,370	6,708,500
Delaware	2	1,061	80	47,000
Dist. of Columbia [2]			810	589,100
Florida	3	1,803	100	48,100
Georgia	0	0	30	18,100
Hawaii	0	0	430	296,400
Idaho	37	15,570	2,390	1,430,600
Illinois [2]			5,320	3,596,000
Indiana	1	1,000	2,460	1,305,900
Iowa	33	8,547	5,530	4,434,000
Kansas	29	17,653	4,490	2,711,700
Kentucky [2]			4,010	2,229,000
Louisiana	43	9,994	3,020	1,407,200
Maine	43	20,839	1,270	704,400
Maryland	26	6,657	14,110	7,930,000
Massachusetts	216	76,917	3,760	2,157,700
Michigan	0	0	27,165	21,337,900
Minnesota	3	925	11,550	6,870,200
Mississippi	0	0	2,130	1,063,800
Missouri	0	0	11,040	6,666,400
Montana [2]			250	173,200
Nebraska			(3)	(3)
Nevada	0	0	760	473,300
New Hampshire	0	0	890	506,500
New Jersey	0	0	15,905	9,363,400

TABLE 5.—IRS CHILD SUPPORT COLLECTIONS, FISCAL YEAR 1982—Continued

States	IRS full collection procedure		OBRA tax refund offset	
	Collections made	Amount collected	Cases offset	Amount offset [2]
New Mexico	29	13,373	440	209,900
New York	610	181,590	14,100	7,496,900
North Carolina [2]			80	39,900
North Dakota	1	549	510	310,600
Ohio	18	23,862	920	657,200
Oklahoma	5	3,970	80	51,000
Oregon	9	9,066	11,690	6,887,100
Pennsylvania	9	13,563	3,860	2,415,800
Rhode Island	0	0	180	88,500
South Carolina [2]			300	138,500
South Dakota	1	185	440	272,400
Tennessee [2]			([3])	([3])
Texas	80	33,642	100	41,300
Utah	3	1,191	5,690	3,529,900
Vermont	5	1,068	2,490	1,281,600
Virginia	17	2,351	2,930	1,442,100
Washington	10	16,038	4,800	2,958,900
West Virginia	2	5,106	370	259,200
Wisconsin	0	0	12,340	8,399,200
Wyoming	3	4,308	240	165,500

[1] Not participating in IRS certification program; have not certified any cases since program's inception.

[2] Cases rounded to nearest ten; amounts rounded to nearest hundred.

Amounts offset reflect total amounts collected and are subject to reduction as a result of (1) States refunding the collection because, for example, there was no past due obligation, or (2) adjustment to taxpayer accounts by the IRS. Also note that the entire offset amount is not reflected in the AFDC collections total reported for the year, as some States did not distribute the offset amounts during FY 1982.

[3] No amounts collected for fiscal year 1982.

Community work experience programs (CWEP)

The Omnibus Budget Reconciliation Act of 1981 included a provision to allow States to operate Community Work Experience Programs if they so choose. In general, these are the type of program commonly referred to as "workfare," under which adult recipients of aid are required to perform some sort of community work, such as park beautification or teacher aide, for a specified number of hours per month. The number of hours a person works is equal to their AFDC grant divided by the applicable minimum wage.

As of October 1, 1982, 19 States had opted to implement some kind of a CWEP program, and another 5 States were in the process of planning to implement one. Table 6 lists these States and shows the target group and geographic coverage, which are the major variations among State CWEP programs. Information about enrollment is limited because most programs had been in operation for less than a year as of October 1982. Where the number of participants is not known, the table shows either State estimates or the percent of the State caseload residing in areas covered by CWEP. Additionally, in some cases the numbers represent individuals on hand at a particular time and in others they represent individuals participating over various periods of time. These are appropriately indicated. Also, some States have been granted waivers for demonstration purposes which affect their CWEP's. Additional notes on these States follow the table.

TABLE 6.—STATE OPTIONAL COMMUNITY WORK EXPERIENCE PROGRAMS

State	Coverage	Target groups	Enrollment
Alabama	1 county (Tuscaloosa) anticipate expansion to 18 counties.	AFDC-Basic.	
Arkansas	4 counties	Do	24 percent.[1]
California	1 county (San Diego).	AFDC-UP and Basic	2,450.[2]
Colorado	4 counties		21 percent.
Delaware	Statewide		50 Slots.
Georgia	9 counties		6 percent.[2]
Idaho	Statewide		450
Iowa	Statewide	AFDC-UP	7 percent.[2]
	2 counties	AFDC-Basic.	
Kentucky	3 counties		30 percent.[2]
Michigan	Virtually Statewide	AFDC-UP and Basic	
New York	16 counties	AFDC-Basic and UP	1,328 (March–Sept. 1982).
			410 (monthly average July–Sept.).
North Carolina	6 counties	AFDC-Basic	1,600.[1]
North Dakota	2 counties	AFDC-Basic	4 percent.[2]
Ohio	1 county planned Statewide Jan. 1, 1983.	AFDC-Basic and UP	
Oklahoma	Statewide	AFDC-Basic	1,750.
South Carolina	2 counties	Do	2,000.[1]
South Dakota	10 counties	Do	42 percent.[2]
Washington	2 counties	Do	375 to 750.
West Virginia	Statewide	AFDC-UP	20 percent.[2]
Planned			
Kansas	4 counties		57 percent.[2]
Minnesota	9 counties	AFDC-UP and Basic	6 percent.[2]
Nebraska	4 counties		64 percent.[2]
New Mexico	1 county (Las Cruces).	AFDC-Basic	150.[1]

TABLE 6.—STATE OPTIONAL COMMUNITY WORK EXPERIENCE PROGRAMS—Continued

State	Coverage	Target groups	Enrollment
Pennsylvania	Statewide Jan. 1, 1983.	Do	

[1] Projected.

[2] Percent of caseload residing in areas covered by CWEP.

Notes: Arkansas was granted a waiver of section 402(a)(19)(F) to strengthen the WIN and CWEP sanctions by removing the entire assistance unit from the grant when a mandatory registrant fails to participate without good cause.

Michigan was granted waivers of: section 402(a)(19)(A) to expand the mandatory participant group for WIN and CWEP to include single parents with children between 6 months and 6 years of age; section 402(a)(19)(F) to remove the entire assistance unit from the grant for 1 month for the second instance of noncooperation instead of the individual for 6 months; and the State was authorized under section 1115(a)(2) to raise the cap on work-related expenses from $25 per participant per month to an average of $45.

New York was granted a waiver to apply the general assistance (GA) workfare sanction to WIN and CWEP. The GA sanction is 30 days for the first instance of noncooperation, 60 days for second, and 90 days for the third.

Oklahoma was granted a waiver of section 402(a)(19)(A) to expand the mandatory participant groups for WIN and CWEP to include single parents with children of any age, on the condition that adequate child care is provided.

SUMMARY DESCRIPTION OF 1981 CHANGES

TRADE ADJUSTMENT ASSISTANCE (TAA)

PETITIONS AND CERTIFICATIONS

The Act changed the standard of import causation from "contributed importantly" to "substantial cause" defined as one ". . . which is important and not less than any other cause." This restricts group eligibility to those groups of workers whose unemployment was caused by no factor more important than foreign competition. Effective for petitions for certification filed on or after February 9, 1982 (180 days after date of enactment). This provision was amended back to "contributed inportantly" in Public Law 97-362.

TRADE READJUSTMENT ALLOWANCES

The Act amends worker qualification requirements in several ways: (1) it changes the date after which TRA is payable from the date on which the Secretary of Labor determined foreign competition adversely affected the workers employment to 60 days after the date on which the workers filed their petition; (2) it expands the number of weeks that may be counted under the 26-week qualification requirement to include a limited number of weeks on authorized vacation, sick, injury, or maternity leave, on compensated disability, or in service as a full-time union representative, and the week in which the worker's layoff occurred; (3) it adds requirements that the worker must have waited one week before receiving compensation, must have exhausted UI in his most recent benefit period, must comply with the "suitable work" requirements under the Extended Benefits program, and may not collect TRA again under the same certification for a subsequent UI benefit period; and (4) it authorizes the Secretary of Labor to require a worker on

TRA more than 8 weeks in an area with high unemployment and no "suitable employment" available to choose between training, or searching for work outside this area, if the workers have been approved for training for no longer than the TRA lasts.

The "suitable work" requirements in the Extended Benefits program deny benefits to a claimant, unless he can demonstrate reasonably good prospects of returning to work in his customary occupation within a short period of time, who rejects any work that is offered in writing or is listed with the State employment service, or who does not apply for any work to which he is referred by the State agency if the job: (1) is within the claimant's capabililty; (2) pays wages equal to the highest of Federal, State, or local minimum wage; (3) pays gross weekly wages that exceed his weekly benefits plus any private supplemental unemployment compensation; and (4) is otherwise consistent with the State definition of "suitable work."

The Act also limits the weekly TRA to the weekly benefit amount the claimant last received in UI benefits and the combined potential duration of UI and TRA to 52 weeks. TRA payments may be collected only during the 52-week period following the worker's exhaustion of regular UI benefits. Workers enrolled in approved training, however, are eligible for an additional 26 weeks of TRA in the 26 weeks immediately following exhaustion of regular TRA if the worker applied for training within 210 days (30 weeks) of the later of the date on which he became certified for benefits or was separated from his job. Workers age 60 or older are no longer eligible for an additional 26 weeks of TRA payments. Effective for trade readjustment allowances payable for weeks of unemployment beginning after September 30, 1981.

TRAINING AND RELATED SERVICES

The Act amended the training provisions to authorize the Secretary of Labor to approve training for TRA claimants if he determines that: (1) there is no "suitable employment" available; (2) the worker is qualified to undertake and complete the training; (3) the worker would benefit from the training; and (4) there is a reasonable expectation of employment following completion of the training. Upon approval, the worker is entitled to have the costs of the training paid by the U.S. Department of Labor. Unlike the Extended Benefits program definition of "suitable work," the definition of "suitable employment" for the purpose of determining eligibility for training is ". . . work of a substantially equal or higher skill level than the worker's past adversely affected employment, . . . (at) wages . . . not less than 80 percent of the worker's average weekly wage." If the worker is enrolled in such training, he cannot be disqualified from receiving UI or TRA because he quit or refused "suitable work," as defined in State law or the Extended Benefits program, or because he is unavailable or not actively searching for work. This means that a TRA claimant must accept "suitable work" as defined in the Extended Benefit program until he is entitled to training under TAA at which time he may quit "suitable work" as long as he meets the various conditions for the training program. Effective for determinations made after September 30, 1981.

JOB SEARCH AND RELOCATION ALLOWANCES

The Act increased job search and relocation allowances to 90 percent up to $600 and 90 percent and a lump sum payment up to $600, respectively. The basis for calculating reasonable expenses has also increased. In addition, certain time limits were imposed related to the application and payment of these allowances. Effective for applications filed after September 30, 1981.

Social Security

REPEAL OF MINIMUM BENEFIT FOR FUTURE BENEFICIARIES

The minimum benefit is eliminated for all future beneficiaries. All benefits payable to new beneficiaries will be based upon their actual earnings with no minimum payment level. The minimum benefit will be eliminated for future beneficiaries who become eligible after December 1981.

ELIMINATION OF CHILD'S INSURANCE BENEFITS IN THE CASE OF CHILDREN AGED 18 THROUGH 21 WHO ATTEND POSTSECONDARY SCHOOLS

This provision eliminates new benefits for child beneficiaries 18 or older in postsecondary school and 19 or older in elementary or secondary school. However, students 18 or older who were entitled to a child's benefit in August 1981 and who began postsecondary school before May 1982 will continue to receive benefits. The amount of their benefits, however, will not be adjusted for changes in the cost-of-living after August 1981. Further, beginning in September 1982, the amount of their benefits will be reduced each year by 25 percent of the August 1981 amount. Benefits will continue until the student turns 22, discontinues his education, or for some other reason ceases to qualify for benefits. In no case can benefits to postsecondary students 18 or older continue beyond July 1985. In addition, beginning in 1982, no benefits will be payable to these postsecondary students during the months of May through August. This provision affects new child beneficiaries in August 1982 and later. Current beneficiaries not attending summer school fulltime will receive no payment for May through August beginning in 1982. No cost of living adjustments will be paid effective with the July 1982 and later increases. The 25 percent reduction each year is effective beginning September 1982.

RESTRICTIONS ON THE LUMP SUM DEATH PAYMENT

The lump sum death payment has been eliminated in cases where there is neither an eligible spouse nor an entitled child. Surviving spouses who were living with a deceased worker or are eligible to receive monthly cash survivor benefits upon the worker's death are eligible to receive the lump sum death payment. If there is no eligible spouse, the lump sum death payment is payable to any child of the deceased worker who is eligible to receive monthly cash benefits as a surviving child. If there is no surviving spouse and no children of the worker eligible for monthly benefits, then no one is eligible to receive the lump sum death payment. This provision became effective for deaths occurring after August 1981.

PAYMENT OF CERTAIN BENEFITS ONLY FOR MONTHS AFTER MONTH IN WHICH ENTITLEMENT CONDITIONS ARE FULFILLED

In the case of workers retiring at age 62 and in case of dependents (first claiming benefits at age 62) of retired workers, entitlement to benefits begins with the first month throughout all of which the individual meets all the requirements for eligibility. This change does not affect the disabled and their dependents who become entitled at the same time as the worker, although it does apply to dependents who come onto the benefit rolls at some time after the disabled worker becomes entitled. The provision does not affect entitlement to survivors' benefits, to reduced benefits for workers retiring after the month in which they attain age 62, to unreduced benefits in the month (and later months) that an otherwise entitled individual attains age 65, or to Medicare benefits. The provision became effective for months after August 1981.

TEMPORARY EXTENSION OF EARNINGS LIMITATION TO INCLUDE ALL PERSONS AGED LESS THAN 72

The earnings test exempt age will remain at age 72 in 1982. Beginning in 1983, it will be lowered to age 70.

TERMINATION OF MOTHER'S AND FATHER'S BENEFITS WHEN CHILD ATTAINS AGE 16

The entitlement to benefits ends for the mother or father caring for a child or children receiving child's insurance benefits when the youngest child reaches age 16. The provision will be effective with respect to current beneficiaries beginning September 1983, but became effective for parents becoming newly entitled in or after October 1981.

ROUNDING OF BENEFITS

The Act provides for rounding benefit amounts down to lower 10 cents at each stage of computing benefits (after calculation of a worker's average monthly earnings), except that the final amount actually payable to a beneficiary (after deduction of the SMI premium payment) would be rounded to the next lower dollar. The provision applies to all beneficiaries, except for "transitionally insured" (Byrnes) and "uninsured" (Prouty) cases. This provision applies to calculations of all new benefit amounts, including cost-of-living adjustments and benefit recomputations, for periods after August 1981.

REIMBURSEMENT OF STATES FOR SUCCESSFUL REHABILITATION SERVICES

This provision eliminates reimbursement from the trust funds to the State vocational rehabilitation agencies for rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity (SGA) for a continuous period of 9 months. The determination that the VR services contributed to the successful return of the individual to SGA and the determination of the amount of costs to be reimbursed are made by the Commissioner of Social Security in accordance with criteria formulated by him. The provision applies to services rendered on or after October 1, 1981.

REDUCTION IN DISABILITY BENEFITS ON ACCOUNT OF OTHER RELATED PAYMENTS; EXTENSION OF OFFSET TO DISABLED WORKER BENEFICIARIES AGED 62 THROUGH 64 AND THEIR FAMILIES; CHANGE IN MONTH IN WHICH PAYMENTS ARE OFFSET

Applicability to Age 65: The new megacap offset applies to workers ages 62 through 64.

Megacap: The offset includes other disability benefits (total or partial disability, whether or not permanent) provided by Federal, State and local governments, except that needs-tested benefits, Veterans' Administration disability benefits, and benefits based on public employment covered by social security is not to be taken into account.

Reduction upon entitlement: The offset is imposed beginning with the month of first entitlement rather than with the month of notification of the Social Security Administration. Federal agencies are required to provide information to the Secretary to enable him to make timely reductions, and the Secretary is authorized to enter into agreements to get States and localities to obtain similar information.

The above three changes in law became effective with respect to initial entitlements to disability benefits after August 1981 but only for individuals who became disabled after February 1981.

The waiver of the offset only applies where the State program began offsetting on or before February 18, 1981.

EXTENSION OF COVERAGE TO FIRST SIX MONTHS OF SICK PAY

This provision includes in the definition of wages, payments made to or on behalf of an employee on account of his absence from work due to sickness or accident disability unless the payments are either: (1) made after the expiration of 6 calendar months following the last calendar month in which the employee last worked for his employer; or (2) received under a workmen's compensation law. The definition of wages, both for tax and coverage purposes, includes payments made under a sick pay plan to an employee or any of his dependents by a third party on account of the employee's illness. However, in the case where an employee has contributed to such plan, "wages" or "compensation" shall not include that portion of such payments attributable to the employee's contributions. Payments which are received under a workmen's compensation law and those paid to an employee by either the employer or a third party more than six months after the employee last worked would continue to be excluded from the definition of wages, as under prior law.

Generally, the amendments made by this section apply to remuneration paid after December 31, 1981. However, these amendments do not apply to any third party payment made to an employee pursuant to a contractual relationship of an employer with such third party which was entered into before December 14, 1981, if the third party's coverage for that employee's group ceases before February 28, 1982 and no third party payment is made to such employee under that contract after February 28, 1982. In addition, interest and penalties which would normally be imposed for failure to make timely deposit of payroll taxes are waived with respect to taxes which are due before June 30, 1982, where such failure is due to reasonable cause and not willful neglect.

UNEMPLOYMENT TRUST FUND

ELIMINATION OF NATIONAL TRIGGER UNDER THE EXTENDED BENEFITS PROGRAM

The national trigger is repealed so that extended benefits will only be payable in those states with insured unemployment as summarized under prior law. This provision is effective for weeks beginning after August 13, 1981.

MODIFICATION OF OPTIONAL STATE TRIGGER LEVEL FOR EXTENDED BENEFITS

The provision would raise the state trigger from 4 percent (plus 20 percent factor) to 5 percent (plus 20 percent factor) the insured unemployment rate at which extended benefits would be payable in any state. It also raises the optional state trigger from 5 percent to 6 percent. Provisions effective for weeks beginning after September 25, 1982.

EXCLUDE EXTENDED BENEFITS CLAIMANTS IN DETERMINING RATE OF INSURED UNEMPLOYMENT FOR EXTENDED BENEFIT TRIGGER CALCULATION

This provision excludes extended benefit claimants from the calculation of the IUR for extended benefits trigger purposes. Only individuals filing claims for regular State unemployment compensation would be included in calculating extended benefits trigger rates. The provision is effective for weeks beginning after August 13, 1981.

REQUIRE 20 WEEKS OF WORK OR EQUIVALENT WAGES FOR EXTENDED BENEFITS

This provision requires extended benefits claimants to have worked at least 20 weeks, or have an equivalent amount of wages, during the base period in order to receive extended benefits. A State could use one of the following measures of equivalent wages:

Wages equal to 40 times the claimant's weekly benefit amount; or

Wages equal to 1.50 times the claimant's wages earned in the quarter with the highest wages.

The provision is effective for weeks beginning after September 25, 1982.

LIMITATIONS ON UNEMPLOYMENT BENEFITS PAID TO EX-SERVICEMEN

This provision disqualifies for unemployment compensation those ex-service members who leave the military at the end of a term of enlistment and are eligible to reenlist. The provision applies to individuals who leave the military on or after July 1981, but only to weeks of unemployment compensation payable after date of enactment (August 13, 1981). This provision was amended by Public Law 97-362.

FEDERAL UNEMPLOYMENT COMPENSATION LOANS TO STATES

Interest on advances. Effective April 1, 1982 through December 31, 1987, States must pay interest on new Federal advances to their accounts in the Unemployment Trust Fund that are not repaid by the end of the fiscal year in which they are obtained. The interest rate will be the same rate paid on the State account balances in the Unemployment Trust Fund for the fourth quarter of the previous calendar year up to 10 percent per annum. The States may not, however, pay the interest directly or indirectly from funds in their State accounts of the Unemployment Trust Fund. For example, a State may not lower its State unemployment taxes after paying the interest to compensate for financing the payment of interest from some other revenue source. If the Secretary of Labor determines that a State has paid the interest directly or indirectly from the State unemployment account, the Secretary shall not certify the State's unemployment compensation law. Loss of certification means that the State's employers would pay the 3.4 percent gross FUTA tax rate because they would no longer be eligible for the FUTA credit.

Interest on advances will not be charged if a State: (1) repays its advances in full before the end of the *fiscal* year in which it obtained the advance; and (2) obtains no additional advances before the end of the *calendar* year in which it repaid the advance. A State must pay *interest* no later than the first day of the next fiscal year if it does not repay the *advance* before the end of the fiscal year in which it was obtained. If a State obtains another advance before the end of the *calendar* year in which it repaid an advance before the end of the *fiscal* year in which it obtained the advance, interest on the repaid advance must be paid for the period preceding the end of the fiscal year in which the State had the advance not later than the day after the date on which the State obtained the new advance.

Any State repayment of Federal advances resulting from the automatic FUTA credit reductions triggered by overdue outstanding advances will be applied to the advances made first. Voluntary repayments, however, will be applied to the advances made last. In this way, States with outstanding advances from previous fiscal years can voluntarily repay advances obtained within the fiscal year in order to avoid interest charges, while continuing to repay older advances through the FUTA credit reduction. Also, the amendment allows States to defer payment of interest on advances obtained in the last five months of a fiscal year until the last day of the next taxable year. The interest charged on these advances, however, would be the same as if this deferral of payment did not exist, including interest on the deferred interest payment.

Limitation on credit reduction. Effective January 1, 1981 through December 31, 1987, the FUTA credit reduction automatically imposed on States with overdue outstanding advances will be limited to the higher of 0.6 percent or the reduction in effect during the preceding calendar year if the State meets certain solvency requirements. There are four solvency requirements. The first two hold for taxable years 1981 through 1987 and the last two hold only for taxable years 1983 through 1987. The Secretary of Labor must determine that the State has met these conditions by November 10 of the taxable year to which they apply:

1. The State did not reduce its unemployment tax effort in the fiscal year ending in the taxable year to which the credit reduction applies.
2. The State did not act in a way that caused a net decrease in solvency of its unemployment compensation program in the fiscal year ending in the taxable year to which the credit reduction applies.
3. The State unemployment tax rate on taxable wages in the taxable year equals or exceeds the average five-year benefit-cost rate for the State.
4. The State's outstanding advances at the end of fiscal years 1983 and 1984 must not exceed that at the end of 1981. Thereafter, the State's outstanding advances at the end of fiscal years 1985, 1986, and 1987 must not exceed that in fiscal years 1982, 1983, and 1984, respectively.

Additional provisions dealing with taxes and benefits to be counted in the calculation of the average tax rate on taxable wages and the five-year benefit-cost rate used in the third solvency requirement make it easier for States to qualify for the limit:

1. The tax rate provision counts the additional FUTA taxes resulting from the credit reduction as State unemployment taxes in the calculation of the average tax rate on taxable wages used for 1983. In 1984, however, only additional FUTA taxes exceeding 0.6 percent, the lower credit reduction limit, are counted as State unemployment taxes. Thereafter, only State unemployment taxes are counted.
2. The five-year benefit-cost rate provisions count only regular State unemployment compensation in the five preceding years ending in 1981 for the taxable year 1983. In the taxable year 1984, however, only regular State unemployment compensation is counted in the three preceding years ending in 1980 and the 50 percent State share of the Extended Benefits (EB) would be added to the regular State benefits for 1981 and 1982. In taxable year 1985, State EB expenditures would be counted in all five previous years ending with 1983. Interest charges would be counted beginning with 1982 for taxable years 1985 through 1987. Also, all benefit-cost rates calculated must be rounded down to the nearest 0.1 percent.

Finally, while a State qualifies for the credit reduction limit, each January first that passes will not be counted in determining a subsequent credit reduction when it no longer qualifies for the limit. Consequently, when a State no longer qualifies for the credit reduction limit, its credit reduction process continues on the next step after the step at which it was when it qualified for the limit.

AID TO FAMILIES WITH DEPENDENT CHILDREN AND CHILD SUPPORT ENFORCEMENT

LIMITATION AND STANDARDIZATION OF EARNINGS DISREGARDS

This provision standardizes the work expense disregard at $75 per month for full time employment, caps the child care disregard at $160 per month, per child, and changes the order of the $30 plus one-third disregard.

States are required to disregard the following amount of earnings, in the following order:

(a) *Eligibility Determination*—the first $75 of monthly earnings for full time employment (in lieu of itemized work expenses); and the cost of care for a child or incapacitated adult, up to $160 per child per month.

(b) *Benefit Calculation*—the first $75 of monthly earnings for full time employment; child care costs up to $160 per child per month; and $30 plus one-third of earnings not previously disregarded.

The $30 plus one-third disregard is allowed only during the first 4 consecutive months in which a recipient has earnings in excess of the standard work expense and child care disregards. After 4 months, the benefit must be determined without the $30 plus one-third disregard for each month the family continues to receive AFDC and for 12 consecutive months after AFDC is terminated.

In addition, eligibility for AFDC is limited to families with gross incomes at or below 150 percent of the States standard of need.

In addition, the States are prohibited from making AFDC payments of less than $10 a month. Individuals denied a benefit as a result of this provision would be considered recipients for all other purposes, including medicaid eligibility.

DETERMINATION OF RESOURCES

Allowable resources are limited to $1,000 (equity value) per family, excluding the home and one automobile. The value of the automobile is limited by regulations. Regulations permit States to exclude "basic items" essential to daily living, such as clothing and furniture. The provision is effective October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

PERMIT OFFSET FOR FOOD STAMPS AND HOUSING SUBSIDIES

This provision explicitly permits States to take into account the value of benefits received from food stamps or housing subsidies. This would be done by treating the value of the food stamp coupons or housing subsidy as income, up to the value for food or shelter that is included in the State standard.

LUMP SUM PAYMENTS

This provision requires that income received in a month be considered available as income in the month it is received and also in future months. Thus, if such income exceeds the standard of need in the month of receipt, the family will be ineligible in that month. In addition, any amount of the income that exceeds the initial month's needs standard must be divided by the monthly needs standard, and the family will be ineligible for aid for the number of months resulting from that calculation.

INCOME OF STEPPARENTS LIVING WITH DEPENDENT CHILDREN

This provision requires that part of the income of a stepparent be counted in determining eligibility and benefit amounts for AFDC applicants and recipients. Countable income would include any amount which exceeds: (1) the first $75 of earned income (a smaller amount may be prescribed for less than full-time work); (2) the amount specified in the State's standard of need as the amount required by the stepparent to support himself and his dependents living in the same household; (3) amounts paid by the stepparent to dependents living outside the household; and (4) payments of alimony or child support to individuals not in the same household. The law would be amended to preclude prorating of shelter allowances with regard to persons to whom this provision applies. The provision is effective October 1, 1981.

COMMUNITY WORK EXPERIENCE PROGRAMS

States are authorized to operate community work experience programs which serve a useful public purpose, and to require AFDC recipients to participate in these programs as a condition of eligibility. These programs would have to meet appropriate standards for health and safety, and could not result in displacement of persons currently employed, or the filling of established unfilled vacancies. Provision would have to be made for payment of reasonably necessary work expenses incurred by participants. Participants would not be required to work in excess of the number of hours which, when multiplied by the greater of the Federal or the applicable State minimum wage, equals the sum of the amount of aid payable to the family. Persons exempt from WIN registration would also generally be exempt from participation in this program, except that parents caring for a child under 6 (but not under 3) could also be required to participate if child care is available.

EFFECTS OF PARTICIPATION IN A STRIKE ON ELIGIBILITY OF AFDC

This provision requires States to specify that striking workers must comply with all AFDC provisions concerning work registration and training. No AFDC is payable to a family in which the caretaker relative is engaged in a strike on the last day of the month, and no individual participating in a strike may have his or her needs included in computing the amount of the AFDC grant.

AGE LIMIT OF DEPENDENT CHILD

This provision amends the definition of "dependent child" to limit benefits to children through age 17, but to permit a State to provide benefits through age 18 to those who are completing high school. Effective October 1, 1981.

LIMITATION ON AFDC FOR PREGNANT WOMEN

This provision prohibits AFDC for pregnant women with no other children until the 6th month of pregnancy. However, a State could provide medicaid for AFDC-eligible pregnant women with no children from the determination of pregnancy. Effective October 1, 1981.

RECOVER OVERPAYMENTS AND PAY UNDERPAYMENTS

The Act requires States to correct overpayments and underpayments. Recovery of overpayments would be made from current assistance payments, available income and resources, and, for an individual who no longer receives assistance, through the legal process. In any month when overpayments are being recovered, the AFDC payment, together with the recipient's liquid resources and all income, must equal at least 90 percent of the payment a family would receive if there were no disregards from earned income. Effective October 1, 1981.

REDUCED FEDERAL MATCH FOR TRAINING

This provision requires that training expenses be matched by the Federal Government at a 50 percent rate rather than 75 percent. Effective October 1, 1981.

RETROSPECTIVE ACCOUNTING AND MONTHLY REPORTING

This provision requires States to determine monthly benefits "retrospectively," on the basis of the actual income of the previous month. Eligibility would be determined "prospectively," on the basis of current month's circumstances. For the first month a family's eligibility, benefits would be determined on current month's circumstances. States would have to require all recipients to provide monthly reports on income, family composition, resources, etc.

The Secretary could allow a State to require less frequent reporting for specified classes of recipients, if the State demonstrates the administrative cost of monthly reporting for such recipients is not worthwhile. Effective October 1, 1981.

ELIGIBILITY OF ALIENS FOR AFDC

This provision provides that, for purposes of eligibility for AFDC, legally admitted aliens who apply for benefits for the first time after September 30, 1981 would be deemed to have the income and resources of their immigration sponsors available for their support for a period of 3 years after their entry into the United States. The eligibility of such aliens for AFDC would be contingent upon their obtaining the cooperation of their sponsors in providing necessary information to the State welfare agency to carry out this provision.

The alien and the sponsor would be jointly and severally liable for repayment of any benefits incorrectly paid because of misinformation provided by the sponsor or because of his failure to report, and any such incorrect payments not paid would be withheld from any subsequent payments for which the alien or sponsor would otherwise be eligible under the Social Security Act.

A sponsor's income deemed to the alien is to be considered unearned income and to result in a dollar-for-dollar reduction in the alien's AFDC benefit. The amount to be deemed is to be equal to the total monthly amount of earned and unearned income of the sponsor and the sponsor's spouse reduced by an amount equal to the sum of (1) the lesser of 20 percent of earned income, or $175; (2) the standard of need of the State for a family of the same size and composition as the sponsor and other individuals claimed by him as dependent (for Federal income tax purposes) who are living in the same household as the sponsor; (3) any amounts paid by the sponsor to individuals not living in the household who are claimed as dependents (for Federal income tax purposes); and (4) any payments of alimony or child support with respect to individuals not living in the household.

The amount of resources to be deemed to the alien equals the amount of the resources of the sponsor and spouse as determined under the State's AFDC resource rules, reduced by $1,500.

Under the provision, an alien applying for AFDC is to be required to make available to the State agency any documentation concerning his income or resources or those of his sponsor (if he has one) which he provided in support of his immigration application. The Secretary of Health and Human Services is authorized to obtain copies of any such documentation from other agencies (i.e., State Department or Immigration and Naturalization Service), and to provide the information, upon request, to a State agency. The Secretary of HHS is required to enter into cooperative arrangements with the State Department and the Justice Department to assure that the persons sponsoring the immigration of aliens are informed at the time of sponsorship that, if the alien applies for AFDC, the sponsorship affidavit is made available to the public assistance agency and that the sponsor may be required to provide further information concerning his income and assets in connection with the alien's application for assistance.

Under the provision, the income and resources of a sponsor which are deemed to an alien in a family are not considered in determining the need of other, non-sponsored family members (e.g. a child born after entry into the U.S.) except to the extent such income or resources are actually available to them.

The provision does not apply to any alien who is (1) admitted to the United States as a result of the application, prior to April 1, 1980, of the provisions of section 203(a)(7) of the Immigration and Nationality Act; (2) admitted to the United States as a result of the application, after March 31, 1980, of the provisions of section 207(c)(1) of such Act; (3) paroled into the United States as a refugee under section 212(d)(5) of such Act; (4) granted political asylum by the Attorney General under section 208 of such Act; or (5) a Cuban or Haitian entrant as defined in section 501(e) of the Refugee Education Assistance Act of 1980. Effective October 1, 1981.

COLLECTION OF PAST-DUE CHILD AND SPOUSAL SUPPORT FROM FEDERAL TAX REFUNDS

This provision amplifies existing authority in the following way. Upon receiving notice from a State child support agency that an individual owes past-due support which has been assigned to the State as a condition of AFDC eligibility, the Secretary of Treasury is required to withhold from any tax refunds due that individual an amount equal to any past-due support. The withheld amount would be sent to the State agency, together with notice of the taxpayer's current address. The Secretary of Treasury is required to issue regulations, approved by the Secretary of HHS, prescribing the timing and contents of notices by the States. States would be required to reimburse the Federal Government for the cost of the procedure. "Past-due support" is defined as the amount of a delinquency determined under court order or an order of an administrative process established under State law for support and maintenance of a child, or of a child and the parent with whom the child is living.

COLLECTION OF SUPPORT FOR CERTAIN ADULTS

This provision adds authority to enforce obligations for support of the parent with whom the child is living. This implies that the Secretary's standards apply also to collection of support for a parent with whom the child is living. The law gives the Secretary of the Treasury added authority to collect support obligations with respect to the parent with whom the child is living and who is receiving AFDC. This provision allows collection of obligations established by administrative process under State law as well as court order. It also allows use of the Federal Parent Locator Service (PLS) by a person who has the authority to collect spousal support as well as child support.

COST OF COLLECTION AND OTHER SERVICES FOR NON-AFDC FAMILIES

Public Law 97-35 required States to retain a fee equal to 10 percent of the support collected. This 10 percent fee was to be charged against the absent parent and added to the amount of the collection.

However, in 1982, Congress repealed this provision and restored an earlier provision giving States the option to charge or not for the cost of non-AFDC child support collection. The new law (Public Law 97-248) provides that if a State chose to collect from the custodial rather than the absent parent, it must have in effect a procedure to so notify the court or other body that first established the sum due to the custodial parent.

CHILD SUPPORT OBLIGATIONS NOT DISCHARGED BY BANKRUPTCY

This provision reverses the effect of an amendment made by section 328 of Public Law 95-598 and reinstates a provision of the Social Security Act, previously in effect, declaring that a child support obligation assigned to a State as a condition of AFDC eligibility is not discharged in bankruptcy. Effective upon enactment (August 13, 1981).

CHILD SUPPORT INTERCEPT OF UNEMPLOYMENT BENEFITS

Requires child support enforcement agencies to determine on a periodic basis whether any individuals who owe child support obligations enforceable by the agency are receiving unemployment compensation or trade adjustment assistance benefits (under chapter 2 of the Trade Act of 1974). The child support enforcement agency is required to collect any outstanding child support obligations owed by an individual receiving unemployment benefits—through an agreement with the individual or, in the absence thereof, the legal processes of the State—by having a portion of the individual's employment benefits withheld and forwarded to the State child support agency. As a condition for receipt of Federal administrative grants under title III of the Social Security Act, agencies charged with the administration of the State unemployment compensation laws are required to withhold and forward to the child support agency the amount of the individual's unemployment benefits specified in the agreement or otherwise required to be withheld as a result of legal process. An agreement to withhold less than the full amount owed does not excuse the individual's legal obligation. Amounts withheld are to be forwarded to the child support agency. Effective October 1, 1981.

SUPPLEMENTAL SECURITY INCOME (SSI)

RETROSPECTIVE ACCOUNTING

This provision requires that the SSI benefit amount, in general, be determined on the basis of the prior month's income and circumstances, i.e. retrospectively. Eligibility would be determined on the basis of income and other circumstances of the current month, i.e. prospectively. However, both eligibility and benefit amount are to be determined on a current (prospective) basis for the month in which an application is filed. In 1982 Congress modified the SSI retrospective accounting rule to permit SSI to take account of a cost-of-living rise in social security in the first month of payment of the accompanying rise in the SSI benefit.

In addition, the provision provides authority for the Secretary to waive the requirement that the SSI benefit standard be reduced to $25 in the case of individuals in certain medical institutions in order to promote the individual's removal in the following month from the institution to a less restrictive living arrangement. Upon waiver, the Secretary shall apply, to the month of removal and the preceding month, the benefit rate that was appropriate to the individual's living arrangement subsequent to his removal from the institution.

It allows the Secretary, under conditions determined by him to be necessary and appropriate, to make a transitional payment or payments during the first two months for which the amendment is effective.

FUNDING OF REHABILITATION SERVICES FOR ADULT SSI RECIPIENTS

This provision repeals the authority under SSI for the Secretary to reimburse for vocational rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity for a continuous period of 9 months. Effective October 1, 1981.

SOCIAL SERVICES

The fund level was reduced to $2.4 billion in fiscal year 1982; $2.45 billion in fiscal year 1983; $2.5 billion in fiscal year 1984 and $2.6 billion in fiscal year 1985 and beyond. The new Social Services block grant *eliminated* the federally mandated priority that at least 50 percent of the Federal title XX funds received by a State must be expended for services to recipients of AFDC, SSI or medicaid. In addition, there are no income limitations on who may receive benefits. The state is completely free to determine its fee schedule including the option of not charging fees at all.

With the enactment of Public Law 97–35, States have the authority to transfer up to 10 percent of their title XX social services allotment to one of any combination of the block grants for community services; low income home energy assistance; preventive health services; primary health care; and maternal and child health services. Effective October 1, 1981.

LOW INCOME ENERGY ASSISTANCE

The new law allows Federal funds to be used for the categorically eligible or for households whose income is below 150 percent of the poverty line or 60 percent of the State's median income (adjusted for family size). Up to 25 percent of a State's allotment may be held by the State for use in the following fiscal year. Amounts above 25 percent that are not expended may be reallocated by the Secretary of HHS.

The State has the flexibility to transfer up to 10 percent of its allotment to other health and social services block grants and may use up to 15 percent of its allotment for low-cost weatherization or other energy related home repairs for low-income households.

States may no longer use LIEA funds to make payments directly to building operators in assisted housing projects as a means of providing assistance to low-income households. Effective October 1, 1982.

MEDICARE

PROVISIONS AFFECTING HOSPITAL INSURANCE (PART A)

Making part A coinsurance and deductible more current

The part A coinsurance and deductible are made more current by adding $5 to the base figure of $40 in the formula that is used in the annual determination of the inpatient hospital deductible. The provision would apply with respect to inpatient hospital services furnished in calendar years beginning with 1982.

Making part A coinsurance current with the year in which services are furnished

This provision will base the part A coinsurance on the deductible for the year in which services are rendered rather than the year in which the spell of illness began. The deductible for calendar year 1982 is $260. Effective for inpatient hospital services and post-hospital extended care services furnished on or after January 1, 1982.

Set section 223 limits on reimbursement to hospital at 108 percent

Medicare reimbursement limits on inpatient routine hospital costs will be set at a level no higher than 108 percent of the mean. The provision is effective for cost reporting periods of hospitals ending after September 30, 1981, but the lower limits are applicable only in proportion to that portion of the reporting period occurring after that date.

Limit nursing differential to 5 percent

The 8.5 percent differential is lowered to 5 percent. The Comptroller General is also required to conduct a study to determine the extent to which the average cost of efficiently providing routine inpatient nursing care to medicare beneficiaries exceeds the average cost of providing such care to other patients. The differential was completely eliminated in Public Law 97-455. The provision applies with respect to cost reporting periods ending after September 30, 1981, but only in proportion to that part of the hospital's cost reporting period occurring after that date. Report due within 6 months of enactment, i.e., prior to February 13, 1982.

Elimination of occupancy test for hospital long-term care

The new law eliminates the occupancy test; thus, even those hospitals with an occupancy rate equal to or greater than 80 percent will be subject to a reduction in reimbursement. The new law provides an exception to the reduction in reimbursement where the Secretary of HHS determines that there is no excess of hospital beds in either the individual hospital or in the area which could be converted for use in providing long-term care services. Further, an exception to the general rule is made for public hospitals under certain circumstances. Effective for services provided on or after September 1, 1981.

Limits on reimbursement to home health agencies

This provision lowers the limits to the 75th percentile under current methodology or to some other no less stringent limit. Applies with respect to cost reporting periods ending after September 30, 1981, but only in proportion to that part of the hospital's cost reporting period occurring after that date.

Professional Standards Review Organization modifications

This provision permits the Secretary of HHS to terminate no more than one-third of all PSRO's prior to October 1, 1982. At the option of a State, PSRO's may be used for medicaid review, with 75 percent matching Federal funding. Effective upon enactment with respect to medicare changes. With respect to medicaid, effective for agreements with PSRO's entered into on or after October 1, 1981.

Transitional payments to promote closing and conversion of underutilized facilities

This provides for reimbursement under titles XVIII and XIX of the Social Security Act for capital-related and increased operating costs associated with closing, or conversion to approved use, of underutilized beds or services in hospitals. Prior to January 1, 1984, payments may be made to no more than 50 hospitals; and the provision requires the Secretary to report to Congress by January 1, 1983 on this provision.

A transitional payment may not be paid unless the proposed closing or conversion is consistent with the findings of an appropriate health planning agency and with any applicable State program for reduction in the number of hospital beds in the State.

Payments for closure will not be made to hospitals located in medically underserved areas. Applies with respect to services furnished by hospitals during any accounting period on or after October 1, 1981.

Elimination of need for occupational therapy as a basis for entitlement to home health services

This provision eliminates occupational therapy as an initial qualifying criterion for home health services; however, where an individual has otherwise qualified for home health benefits by virtue of his need for skilled nursing, speech therapy or physical therapy, his eligibility for home health services may be extended solely on the basis of his continuing need for occupational therapy. Effective for services furnished on or after the third month beginning after the date of enactment (November 1981).

Elimination of coverage of alcohol detoxification facilities

The provision repealed the measure providing for the reimbursement of services in freestanding detoxification facilities. Effective for services furnished for stays beginning on or after the tenth day after the date of enactment.

PROVISIONS RELATING TO SUPPLEMENTARY MEDICAL INSURANCE (PART B)

Increase in part B deductible and elimination of carryover from prior years

The part B deductible is increased from $60 to $75, beginning on January 1, 1982, and beneficiaries will no longer be permitted to count expenses incurred in the last quarter of the previous calendar year in determining whether they have met the annual part B deductible for the current year.

Civil money penalties

This provision authorizes the Secretary to impose a civil money penalty of up to $2,000 for fraudulent claims under medicare or medicaid, to impose an assessment of twice the amount of the fraudulent claim, and to bar from participation persons determined to have filed a fraudulent claim. There would be a right to written notice and an opportunity for a hearing on the record. This provision is effective upon date of enactment.

Elimination of unlimited open enrollment

This provision repeals continuous open enrollment and reinstitutes the January-March enrollment period. Effective for the month after the month of enactment (September, 1981).

Limitation on reasonable charge for outpatient services

This provision requires the Secretary to establish by regulation limitations on costs or charges that will be considered reasonable for outpatient services provided by hospitals, community health centers or clinics and by physicians utilizing these facilities. Limitations are to be reasonably related to the reasonable charges in the same area for similar services provided in physicians' offices. Effective upon enactment.

Incentive reimbursement rate for renal dialysis services

The Secretary of HHS is required to prescribe in regulations a method (or methods) for determining prospectively the amounts of payment to be made for dialysis services furnished by hospitals and by freestanding renal facilities. Separate composite weighted formulae must be calculated for hospital based and for other renal dialysis facilities. Both formulae will be expected to take into account the proportions of patients dialyzing in a facility and those dialyzing at home and the relative costs of providing services in such settings. If, after detailed analysis, the Secretary determines that another method of determining prospectively the amounts of payments to be made for dialysis services would more effectively encourage the efficient delivery of dialysis services and would provide greater incentives for increased use of less costly home dialysis than the dual-composite weighted formula, the Secretary may use such other method (which must differentiate between hospital-based facilities and other renal dialysis facilities). Applies to services furnished on or after October 1, 1981. It also requires the Secretary to issue implementing regulations before October 1, 1981.

Medicare secondary in the case of renal beneficiaries

Under the new law, medicare will become the secondary payor for the first 12 months after an individual has been determined to be eligible for end stage renal disease benefits under the medicare program but only where the individual has private health insurance under a group health plan. The Act requires medicare to pay first and recoup from the insurance company such amounts as would normally be payable under such plan in order to minimize inconveniences to the beneficiary. The Act also denies, as a business expense deduction under the tax code, the expenses paid or incurred by an employer for a health plan, if such plan contains a discriminatory provision that reduces or denies payment for renal patients. Effective October 1, 1981. Tax provision effective for taxable years beginning with 1982.

APPENDIX J. SELECTED ECONOMIC AND POVERTY DATA

TABLE 1.—SELECTED ECONOMIC DATA

	1970	1975	1980	1981	1982
Poor and near-poor data:					
Poverty threshold (nonfarm):					
Family of 5	$4,680	$6,499	$9,960	$11,007	[p] $11,680
Family of 4	3,968	5,500	8,410	9,287	[p] 9,860
Family of 3	3,099	4,293	6,570	7,250	[p] 7,690
Family of 2	2,525	3,506	5,360	5,917	[p] 6,280
Individual at least 65	1,861	2,581	3,950	4,359	[p] 4,630
Lower-level BLS budget:					
Urban family of 4 [1]	6,960	9,588	12,585	14,044	[2] 15,323
Retired couple	3,109	4,501	6,023	6,644	[2] 7,226
Percent poor:					
Total population	12.6	12.3	13.0	14.0	NA
Aged (65 and over)	24.5	15.3	15.7	15.3	NA
Children	14.9	16.8	17.9	19.5	NA
Female headed households	38.2	34.6	33.8	35.2	NA
Wages:					
Average manufacturing wage [3]	$3.35	$4.83	$7.27	$7.94	NA
Federal minimum wage	$1.60	$2.30	$3.10	$3.35	$3.35
Average annual wages and salaries [4]	$6,231	$8,504	$12,225	$13,196	NA
Unemployment rate (percent):					
Total	4.9	8.5	7.1	7.6	[p] 9.7
Insured unemployment	3.4	6.0	3.9	3.5	[p] 4.7
Income:					
Median family income	$9,867	$13,719	$21,023	$22,388	NA
Gross national product (GNP) (billions):					
Current dollars	$993	$1,549	$2,633	[p] $2,938	[p] $3,057.5
Constant 1972 dollars	$1,086	$1,234	$1,474	[p] $1,503	[p] $1,475.5
Wages and salaries as a percent of GNP	55	52	51	[p] 51	NA
Population: [5]					
Total residents (millions)	203.2	213.1	222.1	225.1	[p] 231.5
Under 18 years	69.7	66.3	58.5	58.9	NA
18 through 64 years	113.6	124.4	138.7	140.8	NA
65 and over	20.0	22.4	24.9	25.4	NA

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[1] Autumn of preceding year.

[2] Last report in series; program discontinued because of budget cuts.

[3] Includes overtime.

[4] Full-year equivalent for total private nonagricultural workers.

[5] July data except for 1970 (April).

[p] Preliminary.

TABLE 2.—COMPARISON OF PERCENT CHANGES IN ALTERNATIVE PRICE INDEXES

	CPI–U	CPI X–1	PPI finished goods	GNP deflator	GDPB deflator	PNB deflator	PCE deflator	PCE fixed weight	PCE chain
1971..	3.5	3.7	2.9	4.7	4.0	3.7	3.9	3.7	3.8
1972..	3.4	3.3	3.5	4.3	3.5	3.0	3.6	3.6	3.7
1973..	8.3	8.0	11.6	7.0	7.0	5.3	7.3	7.8	7.6
1974..	12.2	11.1	18.7	10.1	10.5	11.8	11.0	11.3	11.0
1975..	7.4	6.8	7.0	7.7	7.5	7.5	6.1	6.5	6.4
1976..	5.1	5.2	3.2	4.7	4.3	4.9	4.9	4.9	4.9
1977..	6.7	6.3	7.1	6.1	5.9	5.7	5.9	6.4	6.3
1978..	9.0	7.8	8.8	8.5	8.7	8.3	7.8	8.2	8.0
1979..	12.7	10.6	12.7	8.1	8.2	8.3	9.5	10.3	9.9
1980..	12.5	10.9	12.3	9.8	9.9	10.1	10.0	10.7	10.4
70–80 [1]..	116.6	103.0	130.2	97.6	95.3	93.3	96.5	102.3	99.8

[1] Percent change over ten-year period, 1970:4 to 1980:4

Note.—Percent changes, annual rates, 4th quarter to 4th quarter.

Source: Congressional Budget Office, Indexing With the Consumer Price Index: Problems and Alternatives, June 1981.

TABLE 3.—COMPARISON OF PERCENT CHANGES IN ALTERNATIVE WAGE INDEXES

	Average hourly earnings	Average hourly earnings index	Compensation per hour	Spendable weekly earnings	Employment cost index
1971	6.9	NA	5.7	7.9	NA
1972	7.7	NA	7.4	8.3	NA
1973	6.6	6.4	8.1	4.8	NA
1974	8.3	9.1	11.0	5.7	NA
1975	6.2	7.5	7.7	10.3	NA
1976	7.7	7.3	8.5	5.2	7.2
1977	7.7	7.5	7.4	10.8	7.1
1978	9.0	8.4	9.1	5.3	7.7
1979	7.8	8.1	9.7	7.2	8.7
1980	8.8	9.7	10.0	6.9	9.0
1970–80 [1]	109.6	NA	125.0	100.8	NA

[1] Percent change over 10-year period, 1970:4–1980:4.

Note.—Percent changes, annual rates, 4th quarter to 4th quarter.

Source: Congressional Budget Office, Indexing With the Consumer Price Index: Problems and Alternatives, June 1981.

TABLE 4.—MONTHLY DATA FOR CPI–U X1 AND CPI–U SINCE 1970

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
CPI–U X1: All Items (1967=100) Rental Equivalence Approach													
1970.....	111.2	111.7	112.0	112.7	113.1	113.4	113.9	114.1	114.5	115.1	115.5	116.0	113.6
1971.....	116.2	116.7	117.2	117.8	118.3	118.9	119.2	119.3	119.4	119.6	119.7	120.1	118.5
1972.....	120.2	120.8	121.1	121.4	121.7	122.0	122.3	122.6	123.1	123.4	123.8	124.1	122.2
1973.....	124.7	125.6	126.8	127.8	128.5	129.3	129.7	131.8	132.0	132.8	133.7	134.6	129.8
1974.....	135.7	137.5	138.9	139.7	141.1	142.3	143.2	144.8	146.3	147.4	148.6	149.5	142.9
1975.....	150.1	150.9	151.5	152.1	152.8	154.0	155.6	156.2	156.9	157.8	158.6	159.3	154.7
1976.....	159.7	160.2	160.7	161.4	162.3	163.3	164.1	164.8	165.5	166.2	166.7	167.4	163.5
1977.....	168.3	170.0	170.9	172.2	173.1	174.2	174.8	175.5	175.9	176.5	177.3	177.9	173.9
1978.....	178.8	179.9	181.2	182.7	184.3	186.0	186.9	187.7	188.8	190.0	191.0	192.0	185.8
1979.....	193.6	195.4	197.1	199.0	201.3	203.3	205.0	206.6	208.4	210.0	211.1	212.8	203.6
1980.....	215.3	218.0	220.7	222.3	224.2	225.8	227.2	229.1	231.4	232.8	234.2	235.7	226.4
1981.....	237.8	240.8	242.8	244.2	245.7	247.1	249.0	250.8	252.8	253.9	254.9	255.8	246.5
1982.....	257.2	258.0	258.4	258.8	260.6	263.2	265.0	265.5	266.8	268.0	268.4	268.6	263.2
Index of Consumer Prices, All Items (1967=100)													
1970.....	113.3	113.9	114.5	115.2	115.7	116.3	116.7	116.9	117.5	118.1	118.5	119.1	116.3
1971.....	119.2	119.4	119.8	120.2	120.8	121.5	121.8	122.1	122.2	122.4	122.6	123.1	121.3
1972.....	123.2	123.8	124.0	124.3	124.7	125.0	125.5	125.7	126.2	126.6	126.9	127.3	125.3
1973.....	127.7	128.6	129.8	130.7	131.5	132.4	132.7	135.1	135.5	136.6	137.6	138.5	133.1
1974.....	139.7	141.5	143.1	143.9	145.5	146.9	148.0	149.9	151.7	153.0	154.3	155.4	147.7
1975.....	156.1	157.2	157.8	158.6	159.3	160.6	162.3	162.8	163.6	164.6	165.6	166.3	161.2
1976.....	166.7	167.1	167.5	168.2	169.2	170.1	171.1	171.9	172.6	173.3	173.8	174.3	170.5
1977.....	175.3	177.1	178.2	179.6	180.6	181.8	182.6	183.3	184.0	184.5	185.4	186.1	181.5
1978.....	187.2	188.4	189.8	191.5	193.3	195.3	196.7	197.8	199.3	200.9	202.0	202.9	195.4

1979.....	204.7	207.1	209.1	211.5	214.1	216.6	218.9	221.1	223.4	225.4	227.5	229.9	217.4
1980.....	233.2	236.4	239.8	242.5	244.9	247.6	247.8	249.4	251.7	253.9	256.2	258.4	246.8
1981.....	260.5	263.2	265.1	266.8	269.0	271.3	274.4	276.5	279.3	279.9	280.7	281.5	272.4
1982.....	282.5	283.4	283.1	284.3	287.1	290.6	292.2	292.8	293.3	294.1	293.6	292.4	289.1

POVERTY RATES AND TRENDS

Poverty Trends

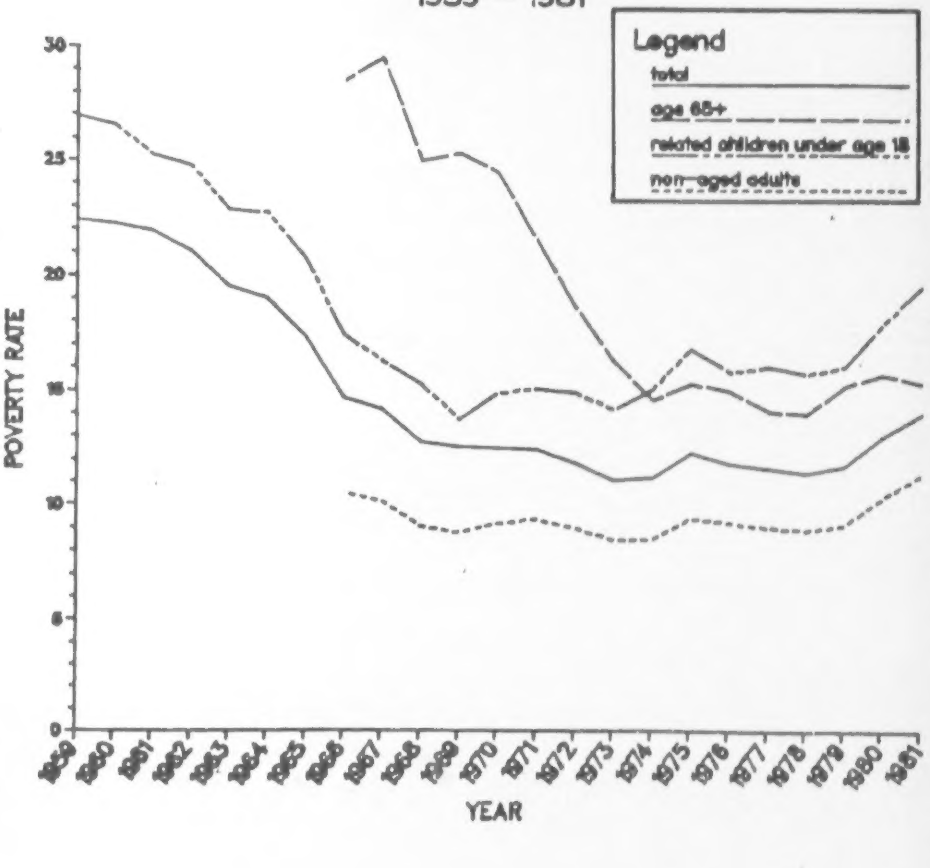
The number of individuals with income below the official poverty thresholds increased for the second year in a row for 1981, reaching 14 percent of the total population, almost one in every seven persons. This was the highest poverty rate since 1967.

The Census Bureau reported that 31.8 million persons had 1981 money income below their poverty thresholds. This was an increase of 2.2 million persons over 1980. Most of this increase occurred among non-aged persons and children. The latter accounted for 0.9 million of the 2.2 million increase.

Figure 1 shows U.S. poverty rates from 1959 to 1981. As this chart shows, the poverty rate among the aged dropped below that of children in 1974 and has remained lower. However, the poverty rate of the aged, 15.3 percent, remains above the total poverty rate. The proportion of children below poverty has been climbing steadily since 1978 and in 1981 reached 19.5 percent, almost one in five, for related children under 18 in families.

FIGURE 1.

U.S. POVERTY RATES
1959 – 1981



A Census Bureau study issued in 1982 found that changes in family composition had adversely affected both black and white average family income, with especially severe impact on blacks. It reported that from 1970 to 1980 the proportion of households headed by a female with no husband present rose from 9.4 to 11.9 percent among whites, and from 30.6 to 41.7 among blacks. It concluded that changes in family composition from 1970 to 1980 had accounted for an extra 2 million families below poverty.[1]

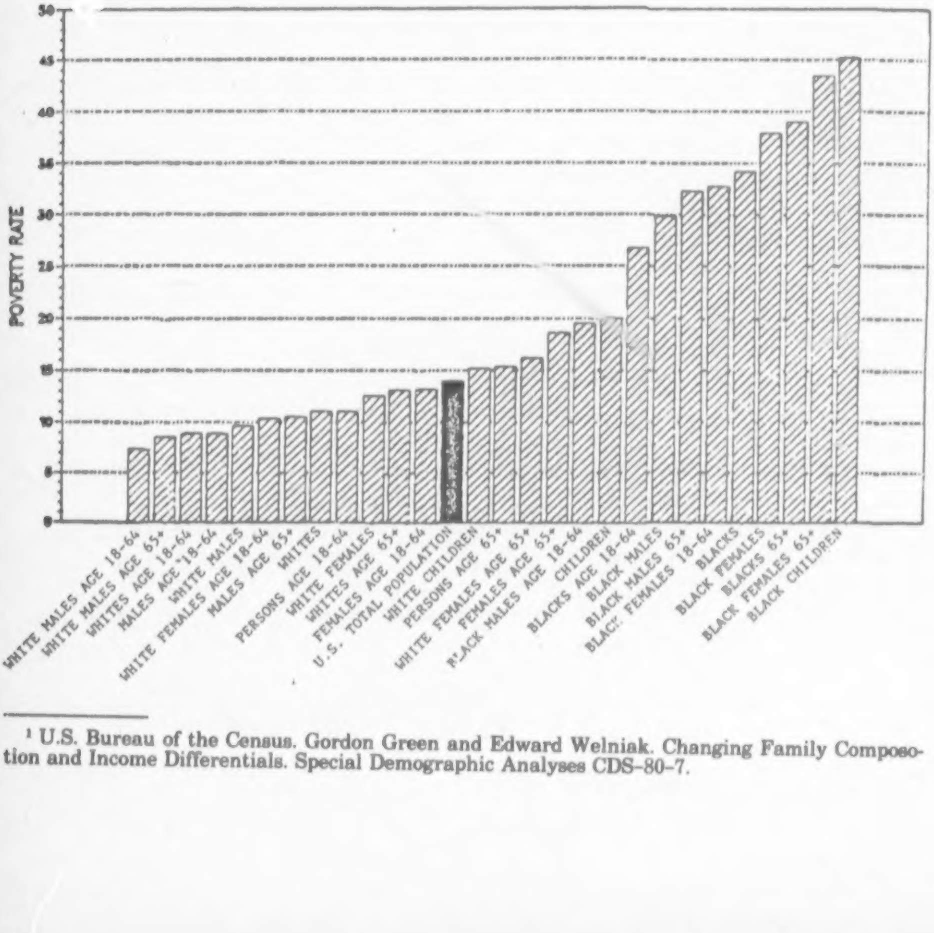
Median family income in 1981 was $22,390, down 3.5 percent in real terms from the 1980 figure and the lowest level since 1968. By race, median family incomes were: whites, $23,517; blacks $13,267; and Spanish origin, $16,402.

POVERTY RATES

Figure 2 shows 1981 poverty rates for selected demographic groups, ranging from a low of 7.4 percent for white adult males to a peak of 45.2 percent for black children. All but five categories with above-average proverty rates are blacks. The exceptions: white children, 15.2 percent; total aged, 15.3; white female aged, 16.2; aged women, 18.6; all children, 20 percent.

FIGURE 2.

POVERTY RATES FOR SELECTED DEMOGRAPHIC GROUPS - 1981



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[1] U.S. Bureau of the Census. Gordon Green and Edward Welniak. Changing Family Composition and Income Differentials. Special Demographic Analyses CDS-80-7.

PRE-POST TRANSFER INCOME POVERTY RATES

A 1982 study by the Institute for Research on Poverty reported that the share of the population with income below the poverty threshold without counting social insurance or public assistance benefits moved only from 21 percent in 1965 to 20 percent in 1978, after declining to 18 percent in 1968. The study attributed most of the persistence of pre-transfer poverty to the stagnant economy of the 1970s and to the population shift toward especially vulnerable groups, notably households headed by women. However, it also concluded that transfer programs had reduced work effort somewhat, and thus were "responsible for a *poverty inducement effect,*" but said that it did not seem very large.[2]

Data from the March 1982 Current Population Survey (CPS) indicate that 24 percent of the total population was below poverty, by the Census definition, when only earnings, dividends, interest, and such private income were counted. Addition of what might be termed "workrelated" entitlements reduced the overall poverty rate by 9 percentage points to 15 percent. Finally, cash public assistance payments (AFDC, SSI, and general assistance) lowered the poverty rate by 1 additional percentage point, to 14 percent.

The work-related cash benefits, added to pre-transfer income in the following order, lowered the U.S. poverty rate as shown:

(1) Unemployment insurance, veterans' compensation, worker's compensation—1 percentage point.

(2) Pensions—2 percentage points.

(3) Social security and railroad retirement—6 percentage points.

Thus, the greatest contribution to the reduction in pre-transfer poverty was made by social security. The data indicate that social insurance payments, which are not tested for income, do far more to reduce money income poverty than cash welfare payments.

Figures 3, 4, and 5 show pre/post transfer income poverty rates in 1981 by age group, by race, and by geographic region respectively.[3]

Figure 3 shows the dramatic reduction in poverty of the elderly achieved by social security. Their poverty rate before transfers was 63.7 percent. Unemployment insurance payments, worker's compensation, and veterans' payments lowered this by 1 percentage point, and pensions, by 10 percentage points. Hence, before counting social security, 52.7 percent of the aged were poor. Social security (and railroad retirement) reduced this by 35.7 percentage points, or a further reduction of two-thirds. Thus, after work-related entitlements, their poverty rate was down to 17 percent. Cash public assistance payments reduced this further, by 1.7 percentage points, to 15.3.

For children, the pre-transfer poverty rate of 24.2 percent was reduced only to 21.3 percent by social security and the other work related entitlements. Cash assistance reduced their poverty rate only 1.3 percentage points to 20 percent.

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[2] Danziger, Sheldon and Robert Plotnick. The War on Income Poverty: Achievements and Failures. In Welfare Reform in America. Edited by Paul M. Sommers. Kiluwer-Nuhoff Publishing Boston, 1982. p. 44.

[3] Charts were prepared by the Congressional Research Service, on the basis of data from the March 1982 Current Population Survey (CPS).

FIGURE 3.

PRE/POST TRANSFER INCOME POVERTY RATES
BY AGE GROUP: 1981

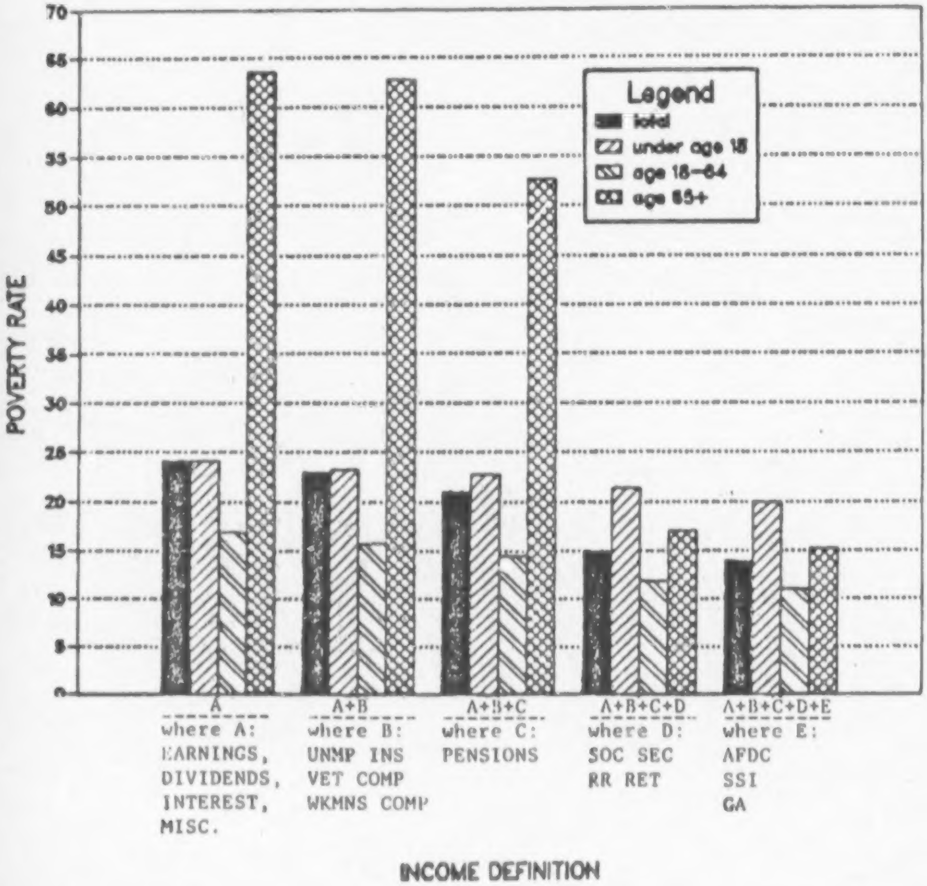

Figure 4 shows that work-related entitlements do less to reduce poverty among blacks than among whites. The 1981 pre-transfer poverty rate of black, 44.8 percent, was reduced 17 percent by work-related entitlements; but the pre-transfer poverty rate of whites, 21.2 percent, was reduced 44 percent by work-related entitlements. Thus, after social security and the other work-related entitlements, the gap between the poverty rates of whites and blacks widened. Before any transfers, the poverty rate of blacks was 211 percent that of whites. After social security and the other work-related entitlements, the poverty rate was 316 percent that of whites.

Cash public assistance reduced the poverty rate of whites by another 6 percent; and the poverty rate of blacks by an additional 8

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percent. The final post-transfer poverty rate of blacks, 34.2 percent, was 308 percent that of whites.

FIGURE 4.

PRE/POST TRANSFER INCOME POVERTY RATES BY RACE: 1981

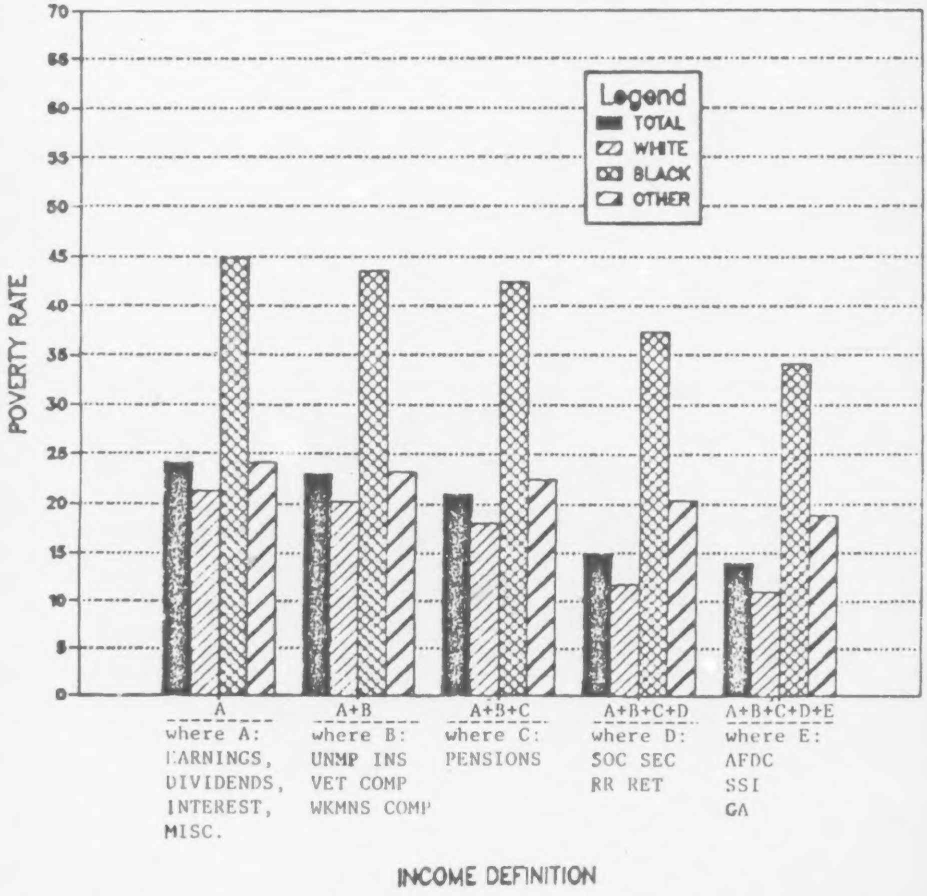

Figure 5 shows that before transfers the Northeast, North Central and Western regions had 1981 poverty rates close to each other (22.5, 22.3 and 22.6 percent, respectively), but that the South had a rate of 27.3 percent. The South's pre-transfer poverty rate was 13 percent above that of the nation as a whole. After work-related entitlements, including social security, the South's poverty rate was reduced to 18.2 percent, but this was 21 percent higher than the U.S. average. The share of work-related entitlements was smaller than average in the South and thus the percentage of individuals below poverty who live in the South was greater after accounting for work-related entitlements. Cash public assistance failed to narrow the gap. After such payments, the South's poverty rate was 17.4 percent, 24 percent above the U.S. average.

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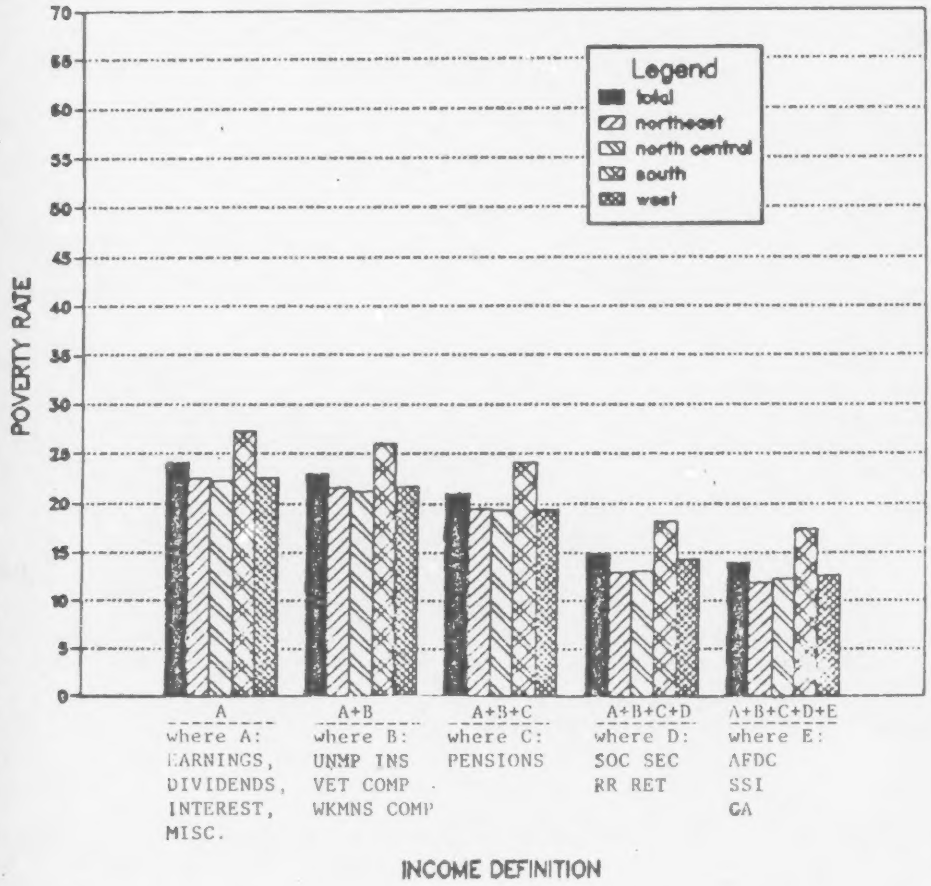
FIGURE 5.

PRE/POST TRANSFER INCOME POVERTY RATES BY GEOGRAPHIC REGION: 1981



UNEMPLOYED PERSONS—THEIR POVERTY STATUS AND INCOME SOURCES

Poverty Status of the Unemployed

Projections based on the March 1982 Current Population Survey (CPS) indicate that 15,458,000 families and 3,969,000 unrelated individuals experienced some unemployment in 1981. In total, the number of persons with some unemployment in 1981 was 23,382,000. This compares with a monthly unemployment count of approximately 8.3 million indivduals. Approximately 2.82 times the monthly number are unemployed at some time within the year.

Of the families experiencing unemployment, 16.2 percent were classified poor, having money income below the 1981 poverty threshold ($7,250 for 3 persons, $9,287 for 4 persons). The incidence of poverty among the unrelated individuals (whose poverty threshold was $4,620) was double that of families, or 34.3 percent.

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Moreover, 60 percent of the families, but only 35 percent of the unrelated individuals, received total 1981 money income equal to at least two times their poverty threshold. See table 5.

Families had lower poverty rates than unrelated individuals, in part, because some families had other members with earnings. In addition, federally aided means-tested cash payments were available to some low-income and low-assistance families with children but not to able-bodied, nonaged adults without a child to support.

TABLE 5.—1981 DISTRIBUTION, BY POVERTY INCOME RATIOS, OF FAMILIES AND OF UNRELATED INDIVIDUALS WHO EXPERIENCED SOME UNEMPLOYMENT THAT YEAR

[In percent]

Poverty ratios	Families	Unrelated individuals
Below poverty	16.2	34.3
1 to 1.49 times poverty	11.3	18.5
1.5 to 1.99 times poverty	12.1	12.7
2 to 2.99 times poverty	22.4	16.7
3 to 4.99 times poverty	26.8	13.6
At least 5 times poverty	11.1	4.2
Total	[1] 100	100

[1] Column does not add to 100 percent because of rounding.

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers based on fewer than 100,000 cases. On this table unrelated subfamilies are included as separate family units.

Source: March 1982 Current Population Survey (CPS).

Income sources of the unemployed

Of the 15.5 million families with a member unemployed at some time during 1981, 96 percent had earnings, as shown in table 6. Slightly more than a third of the families received Unemployment Insurance (UI), and one-seventh had income from interest, dividends, rents, or estates.[3]

The food stamp program, which provides uniform benefits across the nation and is available to virtually all persons and families with low income and low counted assets, was the most frequent source of means tested benefits for families with some unemployment. Food stamp income was reported by 14.7 percent of the families. Federally aided public assistance was received by 10.7 percent of the families (8.2 percent had payments from Aid to Families with Dependent Children [AFDC] and 2.5 percent from Supplemental Security Income [SSI]. Non-federally aided assistance, General Assistance, was received by 1.9 percent.

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[3] Such income was counted only when it constituted at least 3 percent of total gross income.

TABLE 6.—INCOME SOURCES OF FAMILIES AND UNRELATED INDIVIDUALS WHO EXPERIENCED SOME UNEMPLOYMENT IN 1981

Income source	Families with the given income source		Unrelated individuals with the given source	
	Number (thousands)	Percent	Number (thousands)	Percent
Earnings, self-employed and farm income	14,875	96.2	3,624	91.3
Unemployment insurance	5,541	35.8	1,221	30.8
Interest, dividends, rent, estates [1]	2,264	14.6	433	10.9
Social security and/or railroad retirement	2,007	13.0	183	4.6
Food stamps	2,267	14.7	214	5.4
Aid to Families with Dependent Children	1,275	8.2	21	0.5
Supplemental Security Income	379	2.5	39	1.0
General assistance	290	1.9	178	4.5
Veterans' benefits	628	4.1	111	2.8
Pension income	999	6.5	94	2.4
Other sources	2,374	15.4	485	12.2
Total	15,458		3,969	

[1] Interest/dividend income is counted only when it constitutes at least 3 percent of total gross income.

Table prepared by CRS. Numbers are estimates and are subject to sampling error. Sampling error may be substantial for numbers based on fewer than 100,000 cases.

Source: March 1982 Current Population Survey (CPS).

Of the unrelated individuals, 91 percent had earnings, 30.8 percent had UI payments, and almost 11 percent received income from interest, dividends, rents, or estates. Food stamp benefits were reported by 5.4 percent, federally aided public assistance by 1.5 percent, and general assistance by 4.5 percent.

Tables 7 and 8 show the numbers of families and unrelated individuals, respectively, with income from two given sources. For instance, according to table 7, 0.9 million of the families with earnings also received AFDC (either alone or in combination with another income source). Further, 0.7 million of the families who received UI and 0.05 million of the unrelated individuals who received UI also received food stamps.

TABLE 7.—FAMILIES WHO HAD AT LEAST ONE MEMBER OF THEIR FAMILY UNEMPLOYED IN 1981 AND WHO RECEIVED INCOME FROM 1 OF THE SOURCES LISTED BELOW

1981 income sources	Social security and/or railroad retirement	SSI	Aid to families with dependent children	Food stamps	General assistance	Interest/dividends/rent/estates	Veterans	Unemployment insurance	Pension income	Other sources of income	Total
Earnings self-employed and farm income	1,859,283	337,835	946,190	1,898,688	242,294	2,212,550	605,056	5,523,916	947,555	2,297,999	14,874,784
Social security and/or railroad retirement		148,354	122,174	234,592	29,762	574,854	201,378	586,347	465,076	288,089	2,007,292
SSI			63,984	149,067	18,810	29,548	22,840	102,531	18,490	55,726	379,022
Aid to families with dependent children				1,036,688	78,846	32,858	36,782	259,543	24,094	196,706	1,274,630
Food stamps					169,815	68,068	79,042	714,883	37,612	350,987	2,267,483
General assistance						13,318	9,176	79,600	10,260	43,689	290,381
Interest/ dividends/ rent/ estates							116,486	707,660	387,243	360,543	2,264,131
Veterans								209,651	88,737	124,030	627,886
Unemployment insurance									327,257	748,446	5,540,962
Pension income										138,139	999,286
Other sources of income											2,374,371
Total											15,457,757

NOTES.—Interest/dividend income is counted as an income source only when it constitutes 3 percent or more of total gross income. The total column is the total number of families with the income source in the left-hand column of the table. It is not a row total.

For the purposes of this table unrelated subfamilies are included as separate family units.

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers below 100,000.

Source: March 1982 Current Population Survey (CPS).

TABLE 8.—UNRELATED INDIVIDUALS WHO WERE UNEMPLOYED AT SOME POINT DURING 1981 AND WHO RECEIVED INCOME FROM ONE OF THE SOURCES LISTED BELOW

1981 income sources	Social security and/or railroad retirement	SSI	Aid to families with dependent children	Food stamps	General assistance	Interest/dividends/rent/estates	Veterans	Unemployment insurance	Pension income	Other sources of income	Total
Earnings self-employed and farm income	133,454	24,853	11,919	180,187	106,012	395,718	79,890	1,207,352	75,085	424,722	3,623,797
Social security and/or railroad retirement		13,758	2,565	5,720	1,962	49,584	14,054	21,305	28,743	17,819	183,437
SSI			1,630	3,819	1,172	1,453	0	3,178	0	3,993	38,631
Aid to families with dependent children				1,779	2,106	1,568	4,822	3,921	0	0	21,110
Food stamps					36,636	2,212	2,901	50,602	0	16,978	213,695
General assistance						619	7,304	27,243	3,636	24,627	178,445
Interest/dividends/rent/estates							6,374	99,902	30,652	62,331	433,264
Veterans								38,091	12,956	6,064	110,722
Unemployment insurance									25,153	81,878	1,221,099
Pension income										3,215	93,956
Other sources of income											484,901
Total											3,969,319

NOTES.—

Interest/dividend income is counted as an income source only when it constitutes 3 percent or more of total gross income. The total column is the total number of families with the income source in the left-hand column of the table. It is not a row total.

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers below 100,000.

Source: March 1982 Current Population Survey (CPS).

Distribution of income sources by poverty ratio

Tables 9 and 10 show the distribution of selected 1981 income sources among families and unrelated with some unemployment that year, by poverty ratio.

Among families with at least one member unemployed at some time during 1981, receipt of AFDC and food stamp benefits was concentrated on the poor and near-poor groups. For example, 98.7 percent of the families whose only income was a combination of AFDC and food stamps were below poverty, as were 72 percent of those whose only income was a combination of AFDC, earnings and food stamps. Among families whose only income was earnings, 10 percent were poor.

Table 10 shows that among unrelated individuals whose only income was earnings, 36.5 percent were poor. Among unrelated individuals with a combination of UI, earnings and food stamps, 46.7 percent were near-poor, with money income between 100 and 150 percent of poverty.

TABLE 9.—DISTRIBUTION OF SELECTED INCOME SOURCES IN 1981 AMONG FAMILIES WITH SOME UNEMPLOYMENT THAT YEAR, BY POVERTY INCOME CLASS

Income source	In percent						
	Below poverty	1 to 1.49 times poverty	1.5 to 1.99 times poverty	2 to 2.99 times poverty	3 to 4.99 times poverty	At least 5 times poverty	Total number of families (thousands)
AFDC only	100.0	0	0	0	0	0	25
Food stamps only	100.0	0	0	0	0	0	15
AFDC and food stamps only	98.7	0.4	0.9	0	0	0	224
Earnings only	10.3	10.7	13.0	23.7	30.7	11.6	4,456
AFDC and earnings only	29.5	25.1	21.6	7.8	13.6	2.4	81
UI and earnings only	5.5	9.0	13.5	28.5	33.2	10.4	3,008
UI, earnings and food stamps, only	41.6	22.7	19.4	10.7	5.6	0	339
AFDC, earnings, and food stamps only	72.0	17.0	4.7	5.3	1.0	0	333
Other combinations	16.8	11.9	11.2	21.6	25.6	12.9	6,814
None of the above	47.2	21.5	13.5	7.4	5.5	4.9	163
Total							15,458

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers based on fewer than 100,000 cases. On this table unrelated subfamilies are included as separate family units.

Note: Some rows do not add to 100 percent because of rounding.

Source: March 1982 Current Population Survey (CPS).

TABLE 10.—DISTRIBUTION OF SELECTED INCOME SOURCES IN 1981 AMONG UNRELATED INDIVIDUALS WITH SOME UNEMPLOYMENT THAT YEAR, BY POVERTY INCOME CLASS

Income source	In percent						
	Below poverty	1 to 1.45 times poverty	1.5 to 1.99 times poverty	2 to 2.99 times poverty	3 to 4.99 times poverty	At least 5 times poverty	Total number of individuals (thousands)
Food stamps only	100.0	0	0	0	0	0	15
UI only	100.0	0	0	0	0	0	11
Earnings only	36.5	18.3	13.7	15.1	13.1	3.3	1,523
UI and earnings only	15.7	18.7	16.1	22.9	19.0	7.6	913
UI, earnings and food stamps only	22.6	46.7	7.5	13.7	9.5	0	45
Other combinations	33.3	19.6	12.1	17.8	13.1	4.1	1,180
None of the above	82.6	11.4	1.4	1.8	2.8	0	282
Total							3,969

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers based on fewer than 100,000 cases. On this table unrelated subfamilies are included as separate family units.

Note: Some rows do not add to 100 percent because of rounding.

Source: March 1982 Current Population Survey (CPS).

Composition of income sources, by poverty ratio

Tables 11 and 12 show composition of selected income sources of families and unrelated individuals with some 1981 unemployment, by poverty income class. For example, 18 percent of the poor families reported that their 1981 income consisted only of earnings; 10 percent, AFDC, earnings and food stamps; and 7 percent, UI and earnings. Of unemployed families whose incomes were at least 5 times the poverty threshold (that is, $46,500 for a family of four, $36,250 for a family of three) 30 percent said their income consisted only of earnings, and 18 percent said their income consisted wholly of UI and earnings.

Table 12 show a relatively larger role for earnings as an income source among poor and near-poor unrelated individuals. Among individuals whose income was below the poverty threshold, 41 said their only income was earnings, and for those with income between 100 and 150 percent of poverty, 38 said they had no income other than earnings.

TABLE 11.—Percent of Families With Some 1981 Unemployment Who Received Income From Selected Sources That Year, By Poverty Income Class

Income source	Percent below poverty	1–1.49 times poverty	1.5–1.99 times poverty	2–2.99 times poverty	3–4.99 times poverty	At least 5 times poverty
AFDC only	1	0	0	0	0	0
Food stamps only	0.5	0	0	0	0	0
AFDC and food stamps only	9	0	0	0	0	0
Earnings only	18	27	31	31	33	30
AFDC and earnings only	1	1	1	0	0	0
UI and earnings only	7	16	22	25	24	18
UI, earnings, and food stamps only	6	4	4	1	0.5	0
AFDC, earnings, and food stamps only	10	3	1	0.5	0	0
Other combinations	45	47	41	43	42	51
None of the above	3	2	1	0	0	0.5
Total number of families (thousands)	2,510	1,751	1,874	3,456	4,149	1,718

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers based on fewer than 100,000 cases. On this table unrelated subfamilies are included as separate family units.

Note: Some columns do not add to 100 percent because of rounding.

Source: March 1982 Current Population Survey (CPS).

TABLE 12.—Percent of Unrelated Individuals with Some 1981 Unemployment Who Received Income from Selected Sources that Year, by Poverty Income Class

Income source	Percent below poverty	1–1.49 times poverty	1.5–1.99 times poverty	2–2.99 times poverty	3–4.99 times poverty	At least 5 times poverty
Food Stamps only	1	0	0	0	0	0
UI only	1	0	0	0	0	0
Earnings only	41	38	41	35	37	30
UI, and earnings, only	11	23	29	32	32	41
UI, earnings, and food stamps only	1	3	1	1	1	0
Other combinations	29	31	28	32	29	29
None of the above	17	4	1	1	1.5	0
Total number of unrelated individuals (thousands)	1,361	735	505	661	540	167

Table prepared by CRS. Numbers are estimates of the population and are subject to sampling error. Sampling error may be substantial for numbers based on fewer than 100,000 cases. Note: Some columns do not add to 100 percent because of rounding.

Source: March 1982 Current Population Survey (CPS).

NONCASH BENEFITS AND POVERTY

The Census Bureau reports that estimates of the number of persons deemed to have been poor in 1979 would be reduced by 12 to 42 percent if selected noncash government benefits were included in the calculation of their income. The benefits included were: food stamps, subsidized school lunches, public housing, medicaid and medicare.

In 1979 the number of persons with money income below their poverty thresholds was estimated at 23.6 million, or 11.1 percent of the U.S. population. If assigned values of noncash benefits had been taken into account in determining poverty status, the number of poor would have fallen significantly, to a range between 13.6 million (6.4 percent of the population) and 20.7 million (9.8 percent).

The study[4] investigated three methods of valuing noncash benefits:

(1) the market value approach, which assigns a value to the benefit equal to its private market price;

(2) the cash equivalent approach, which values the benefit at the amount of cash that the recipient would accept in lieu of the benefit;

(3) the poverty budget share approach, which limits the value of the benefit to the usual amount spent on that product or service by persons with incomes at the poverty level.

Each of the valuation approaches was used to assign values to three different combinations of food, housing, and medical benefits. The result of the nine combinations was a wide range of poverty estimates, shown in table 9. As table 13 shows, the market value method of valuation achieved the sharpest cut in the incidence of poverty.

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[4] U.S. Census Bureau. Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Effect on Poverty. Technical Paper 50. Issued March 1982.

TABLE 13.—POVERTY RATES FOR PERSONS USING MONEY INCOME CONCEPT, ALTERNATIVE VALUATION METHODS, AND COMBINATIONS OF NONCASH BENEFITS VALUED: 1979

[In percent]

Combinations of benefits valued	Current money income concept	Alternative valuation method: Money income and market value	Alternative valuation method: Money income and cash equivalent value	Alternative valuation method: Money income and poverty budget share value
Without valuing noncash benefits [1]	11.1	11.1	11.1	11.1
Valuing food and housing benefits only	NA	9.4	9.5	9.8
Valuing food, housing, and medical benefits, excluding institutional care	NA	6.6	8.7	8.9
Valuing food, housing, and medical benefits, including institutional care	NA	6.4	8.2	8.9

NA—Not applicable.

[1] Differs slightly from the official poverty estimate published earlier because poverty was computed on a household basis for this study.

Table prepared by U.S. Census Bureau.

Researchers at the Institute for Research of Poverty, using the new Census figures and estimating noncash benefits at their market value, examined the incidence of poverty for persons living in various types of households. They found substantial differences in poverty by this measure for households by race, sex, and age of the head of household. In-kind transfers reduced poverty from 39 to 69 percent for the various groups, with the smallest effect for whites and the largest for the aged. This is shown in table 14.

TABLE 14.—COMPARISON OF INCIDENCE OF POVERTY: OFFICIAL MEASURE AND MONEY INCOME PLUS THE MARKET VALUE OF FOOD, HOUSING, AND MEDICAL BENEFITS, 1979

Household head	Official measure money income (percent) (1)	Money income plus in-kind transfers at market value (percent) (2)	Ratio: column (2)/column (1) (3)
All persons	11.1	6.4	0.58
White	8.5	5.2	.61
Black	30.4	15.1	.50
Spanish origin	21.4	12.0	.56
Female householder, no husband present	34.8	17.6	.51
Elderly (65 and over)	14.7	4.5	.31

Note: If transfers had no effect on poverty the numbers in columns (1) and (2) would be the same and the measure of antipoverty effectiveness in column (3) would be 1.0. If transfers eliminated poverty, the ratio would be 0.0.

Table reprinted from Focus, Vol. 6, Number 1, Fall and Winter 1982. Published by the Institute for Research on Poverty, the University of Wisconsin, Madison.

In a subsequent report,[5] the Census Bureau reported that 9 out of every 10 households in the United States received at least one of several selected types of noncash benefits during 1981. The number of households receiving at least one income-tested noncash benefit, such as food stamps, free or reduced-priced school lunches, publicly owned or subsidized housing, and medicaid, increased from 14.3 million in 1980 to 14.6 million in 1981. Further, the number of households receiving nonmeans-tested benefits from one or more of 4 sources, such as medicare, regular-price school lunches, employer- or union-provided pension plans, and employer- or union-provided group health insurance plans, increased from 69.0 million to 69.8 million.

Approximately 47 percent of the households receiving specified means-tested noncash benefits had incomes below the poverty level (see table 15).

The table indicates that in 1981, 58.5 percent of all poor households received one or more income-tested benefits, which implies that 41.5 percent of all poor households failed to receive a noncash income-tested benefit. It indicates that 59 percent of poor households did not receive food stamps and that 76 percent of poor households did not reside in publicly owned or other subsidized housing.

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[5] U.S. Census Bureau. Characteristics of Households Receiving Selected Noncash Benefits: 1981. Current Population Reports. Consumer Income. Series P-60. No. 135. Issued August 1982.

TABLE 15.—HOUSEHOLDS RECEIVING MEANS-TESTED NONCASH BENEFITS—NUMBER, PERCENT BELOW THE POVERTY LEVEL, AND PERCENT OF POOR RECEIVING BENEFITS IN 1981 AND 1980 (HOUSEHOLDS AS OF MARCH OF THE FOLLOWING YEAR. HOUSEHOLDS ARE CLASSIFIED ACCORDING TO POVERTY STATUS OF THE FAMILY OR NONFAMILY HOUSEHOLDER)

Type of means-tested benefit	All households			Percent of households below the poverty level			Percent of all poor households receiving noncash benefits		
	Number (thousands)								
	1981	1980	Percent change	1981	1980	Difference (1981 minus 1980)	1981	1980	Differences (1981 minus 1980)
All households	83,527	82,368	[1] 1.4	14.0	13.4	[1] 0.6	NA	NA	NA
Households with one or more means-tested benefits [2]	14,551	14,266	[3] 2.0	47.0	44.9	[1] 2.1	58.5	57.8	0.7
Households receiving food stamps	7,115	6,769	[1] 5.1	67.5	65.8	[3] 1.7	41.1	40.2	0.9
Households receiving free or reduced-price school lunches	5,356	5,532	[3] 3.2	49.5	45.6	3.9	62.6	[4] 64.5	[3] [4] 1.9
Households residing in publicly owned or other subsidized	2,873	2,777	3.5	52.6	51.9	0.7	[6] 23.7	[6] 23.7	....
Households with one or more members covered by Medicaid	8,487	8,287	2.4	54.3	53.8	0.5	39.4	40.3	[5] 0.9

[1] Statistically significant at the .05 level.

[2] Detail does not add because some households have noncash benefits from more than one source

[3] Statistically significant between the .05 and .10 levels.

[4] Based on poor households with school children 5 to 18 years old.

[5] Represents zero or rounds to zero.

[6] Based on poor households in renter-occupied housing.

NA—Not applicable.

Table prepared by the Census Bureau.

The 7.1 million households receiving food stamps during 1981 accounted for 9 percent of all households. The median total money income for these households was $5,940, or 31 percent of the median income for all households. About two-thirds of all food stamp households had total money incomes below the poverty level. See table 16 for additional details about food stamp households and about some characteristics of other households that received noncash means-tested assistance aid in 1981.

TABLE 16.—PERCENT OF HOUSEHOLDS RECEIVING MEANS-TESTED NONCASH BENEFITS, BY SELECTED CHARACTERISTICS

[Households as of March 1982. Households are classified according to the race of the family or nonfamily householder]

Selected characteristics	Number (thousands)	Percent				
		Total [1]	Food stamps	Free or reduced price school lunches [2]	Public or other subsidized housing [3]	Medicaid
Total	83,527	100.0	8.5	20.4	10.6	10.2
White	72,845	100.0	6.1	14.9	7.9	7.9
Black	8,961	100.0	28.1	50.4	22.6	28.3
Spanish origin [4]	3,980	100.0	18.3	43.4	10.8	20.5
Households with—						
Children under 19 years old	34,209	100.0	13.5	20.4	13.8	13.0
Female family householder, no husband present	9,403	100.0	30.6	46.0	22.5	33.4
Householder 65 years old and over	17,312	100.0	6.6	36.6	23.3	14.5
Residence in the South	27,925	100.0	10.6	25.5	11.2	9.6
Residence in metropolitan areas	56,900	100.0	7.9	18.8	10.5	10.2
Residence in central cities	24,668	100.0	11.5	29.1	12.7	14.0

[1] Includes households not receiving means-tested noncash benefits, not shown separately.

[2] Based on households with school children 5 to 18 years old.

[3] Based on households in renter-occupied housing.

[4] Persons of Spanish origin may be of any race.

Table prepared by Census Bureau.

APPENDIX K. EXAMPLES ILLUSTRATING THE INTERACTION BETWEEN SOCIAL SECURITY, SSI, FOOD STAMPS, MEDICAID, AFDC, UNEMPLOYMENT COMPENSATION, AND THE TAX SYSTEM AS EARNINGS INCREASE FOR AGED COUPLES, A MOTHER WITH TWO CHILDREN AND A TWO-PARENT FAMILY WITH TWO CHILDREN

TABLE 1.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING MINIMUM SOCIAL SECURITY (IN A STATE WITHOUT SSI SUPPLEMENTATION) 1983

Earnings	Social security [1]	SSI	Food stamps [2]	Medicaid	Taxes		Work expenses [3]	"Disposable" income
					Social security	Federal income		
0	$3,286	$2,070	$389	(4)	0	0	0	$5,745
$2,000	3,286	1,460	0	(4)	$134	0	$300	6,312
$4,000	3,286	461	0	[5] No	268	0	600	6,879
$6,000	3,286	0	0	No	402	0	900	7,984
$8,000	2,586	0	0	No	536	$66	900	9,084
$10,000	1,586	0	0	No	670	296	900	9,720
$15,000	0	0	0	No	1,005	1,014	900	12,018
$20,000	0	0	0	No	1,340	1,846	900	15,914
$30,000	0	0	0	No	2,010	4,020	900	23,070
$50,000	0	0	0	No	2,392	10,414	900	36,294

[1] Benefit for a minimum wage worker who retired in 1981 at age 65, plus 50 percent of that sum for his aged spouse.

[2] Assumes the $1,020 standard household deduction per year plus $72 in deductible medical expenses.

[3] Assumed to equal standard deduction, prorated for less than full-time work, of the AFDC program.

[4] Most States give automatic medicaid eligibility to SSI recipients, but 14 do not.

[5] Automatic medicaid eligibility would end here. To regain eligibility, a couple would have to "spend-down" in medical expenses to the State's medically needy limit.

Source: Congressional Research Service.

TABLE 2.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING AVERAGE SOCIAL SECURITY (IN A STATE WITHOUT SSI SUPPLEMENTATION), 1983

Earnings	Social security [1]	SSI	Food stamps [2]	Medicaid [3]	Taxes		Work expenses [4]	"Disposable" income
					Social security	Federal income		
0	$8,400	0	0	0	0	0	0	$8,400
$2,000	8,400	0	0	0	$134	0	$300	9,966
$4,000	8,400	0	0	0	268	0	600	11,532
$6,000	8,400	0	0	0	402	0	900	13,098
$8,000	7,700	0	0	0	536	$66	900	14,198
$10,000	6,700	0	0	0	670	296	900	14,834
$15,000	4,200	0	0	0	1,005	1,014	900	16,281
$20,000	1,700	0	0	0	1,340	1,846	900	17,614
$30,000	0	0	0	0	2,010	4,020	900	23,070
$50,000	0	0	0	0	2,392	10,414	900	36,294

[1] Average benefits paid to couples in "current pay status" in 1983, based on amount computed as of October 1982.

[2] Assumes the $1,020 standard household deduction per year plus $72 in medical expenses. The net income limit after deductions is $6,288. The gross income maximum is $8,088.

[3] For eligibility in those States with medically needy programs, a couple would have to "spend-down" in medical expenses to the State's medically needy limit.

[4] Assumed to equal standard deduction for work-related expenses allowed in the AFDC program, prorated for less than full-time work of the AFDC program.

Source: Congressional Research Service.

TABLE 3.—EARNINGS AND BENEFITS FOR A MOTHER WITH TWO CHILDREN—AFTER 4 MONTHS ON JOB (JANUARY 1983)—(PENNSYLVANIA)

Earnings	EITC	AFDC [1]	Food stamps [2]	Medicaid	Taxes			Work expenses [4]	"Disposable" income
					Social security	Federal income [3]	State income		
0	0	$4,200	$1,434	Yes	0	0	0	0	[6] $5,634
$2,000	$200	2,940	1,450	Yes	$134	0	0	$940	[6] 5,516
$4,000	400	1,680	1,467	Yes	268	0	0	1,880	[6] 5,399
$5,000	500	1,050	1,440	Yes	335	0	$11	2,350	[6] 5,294
$6,000	500	0	1,509	[5] No	402	$77	132	2,820	4,578
$7,000	375	0	1,293	No	469	187	154	2,820	5,038
$8,000	250	0	1,075	No	536	309	176	2,820	5,484
$9,000	125	0	863	No	603	439	198	2,820	5,928
$10,000 ..	0	0	648	No	670	579	220	2,820	6,359
$15,000 ..	0	0	0	No	1,005	1,430	330	2,820	9,415
$20,000 ..	0	0	0	No	1,340	2,420	440	2,820	12,980
$30,000 ..	0	0	0	No	2,010	5,012	660	2,820	19,498
$50,000 ..	0	0	0	No	2,392	12,270	1,100	2,820	31,418

[1] Assumes pro-rated deductions (standard plus cost of care for one child): $940 at earnings of $2,000; $1,880 at $4,000, $2,350 at $5,000, and $2,820 (maximum under AFDC law) at $6,000 and above.

[2] Assumes these deductions (reflecting proration for dependent care): $1,020 at zero earnings, $1,620 at $2,000, $2,220 at $4,000; $2,400 (maximum) at $5,000 and above.

[3] Head of household rates in effect for 1983.

[4] Assumed to equal deductions, including cost of care for one child, presumed in AFDC (see footnote 1).

[5] Automatic medicaid eligibility ends when gross income (including EIC) equals $6,300. To regain eligibility, family must spend-down on medical expenses to State's medically needy income limit.

[6] Plus medicaid (which in fiscal year 1978 cost about $1,260 for a 3-person AFDC family, national average).

Source: Congressional Research Service.

TABLE 4.—EARNINGS AND BENEFITS FOR A MAN ON UNEMPLOYMENT COMPENSATION WITH A WIFE AND 2 CHILDREN, JANUARY 1983—PENNSYLVANIA

Earnings [1]	EITC	Unemployment insurance [2]	Food stamps [3]	Taxes			Work expenses [4]	"Disposable" income
				Social security	Federal income	State income		
0	0	$5,190	$1,785	0	0	0	0	$6,975
$2,000	$200	5,190	1,423	$134	0	0	$940	7,739
$4,000	400	5,190	1,062	268	0	0	1,880	8,504
$5,000	500	5,190	846	335	0	0	2,350	8,851
$6,000	500	5,190	600	402	0	$40	2,820	9,028
$7,000	375	5,190	0	469	0	154	2,820	9,122
$8,000	250	5,190	0	536	$66	176	2,820	9,842
$9,000	125	5,190	0	603	176	198	2,820	10,518
$10,000	0	5,190	0	670	296	220	2,820	11,184
$12,000	0	5,190	0	1,005	564	264	2,820	12,537
$15,000	0	5,190	0	1,340	1,014	330	2,820	14,686
$20,000	0	[5] 5,190	0	2,010	2,529	440	2,820	17,391

[1] Split evenly between husband who is the U.I. recipient and wife. Earnings of the recipient occur during the 20 weeks he does not receive unemployment insurance.

[2] Husband earned $16,000 in base year and $4,000 in "high quarter." His unemployment insurance weekly benefit amount (WBA) is $162 plus $11 in dependents' allowances for a total of $173. He gets 30 weeks of benefits for a potential amount of $5,190.

[3] Assumes these deductions (reflecting proration for dependent care): $1,020 at zero earnings; $1,620 at $2,000, $2,220 at $4,000, $2,400 (maximum) at $5,000 and above.

[4] Assumes deduction allowed in AFDC for cost of care for one child plus standard sum, prorated for less than full-time work.

[5] $3,756 of this U.I. sum is subject to U.S. income tax.

Source: Congressional Research Service.

APPENDIX L. QUALITY CONTROL SYSTEMS

In the four major welfare programs, AFDC, SSI, medicaid, and the food stamp program, the Federal Government and the States have established on-going "quality control" systems. These systems have two goals: correcting faults in program administration that contribute to erroneous payments and reducing the extent of misspent benefit dollars. To these ends, they attempt to: (1) measure the extent and dollar value of "errors" in administration; (2) identify the types and causes of error; and (3) specify and monitor corrective actions taken to eliminate or reduce errors.

Fiscal incentives and sanctions have also been made a part of these systems. Under these sanctions States can be held liable for the cost of benefit payments made in excess of federally established error tolerance levels, often referred to as target error rates. The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) included new target error rates for AFDC and medicaid; the 1982 Omnibus Budget Reconciliation Act (P.L. 97-253) also established target error rates for the food stamp program. An AFDC target error rate for fiscal year 1983 is now set at 4 percent, and is reduced to 3 percent for fiscal year 1984 and thereafter. For medicaid, a 3-percent target error rate was established for quarters beginning after March 30, 1983. Under medicaid, prospective fiscal sanctions are to be applied beginning in the second half of fiscal year 1983 for States which have error rates exceeding 3 percent. However, errors, which, if corrected, would not have made a difference in the amount of medical assistance paid would be excluded from the calculation.

Under the new food stamp law, which became effective at the start of fiscal year 1983, States are required to reduce their error rates by one-third each year, but they also must reach 5 percent by fiscal year 1985.

For AFDC and medicaid there are no longer any fiscal incentive provisions except in Guam, Puerto Rico, and the Virgin Islands. For food stamps, the new incentive provision is an increase from 50 percent to 60 percent in the Federal share of administrative costs if a State has an error rate of 5 percent or less.

MEASUREMENT OF ERROR

The core of the four existing quality control systems is the semiannual quality control survey. Every 6 months (October/March and April/September) each system compiles the results of a randomly selected, statistically valid sample survey of cases, ranging from 40,000 to 75,000 cases, nationwide. Each selected case is subjected to a thorough review by quality control personnel, including a full field investigation. This review identifies payments to ineligibles, overpayments, underpayments, the type of error made, the responsibility (recipient versus administering agency) for the error, and, in some cases, incorrect denials of aid. Error "rates" are then established for that 6-month review period for each State: "caseload" error rates indicate the proportion of ineligible cases, overpaid cases, underpaid cases, and, in some cases, improperly denied cases in the sample caseload; "payment" error rates indicate the extent of erroneous payments in each category of error as a proportion of total dollars paid out to the sampled caseload. Moreover, information on the sources and types of errors identified in each quality control review is compiled for use in implementing administrative "corrective actions" intended to reduce or eliminate similar errors in the future.

In the AFDC and food stamp systems, quality control error rates quantify the extent to which eligibility and payment errors exist in the State-administered caseloads of these two programs. In the medicaid system, quality control error rates indicate the extent to which errors as to eligibility, overpayment, claims processing (payment of improper claims), and identification of third-party liability exist in the medicaid population. And, in the SSI system, quality control error rates illustrate the extent and cost of errors in the federally administered caseload.

The "errors" identified and measured in all four quality control systems range from simple procedural or arithmetical mistakes, to lack of verification or nonreporting of income, to outright recipient fraud. As a result, although quality control error rates and the information behind them do give a picture of the extent to which improper decisions are being made and help administering agencies pinpoint areas where improvement is needed, they do not represent a statistically accurate measure of intentional actions such as fraud. In fact, "agency-caused" procedural errors make up nearly half the errors typically identified in quality control surveys, and "recipient-caused" errors are often simple mistakes in understanding what is required or failure to provide information on a timely basis.

ADMINISTRATION

In the AFDC, medicaid, and food stamp programs, the quality control systems are operated by State quality control staff under Federal guidelines and supervision; in the SSI program, the entire quality control system is federally operated since it measures the performance of Federal administration. When identifying errors in food stamp and SSI administration, agency and recipient actions are compared to Federal rules; in the AFDC and medicaid systems, errors are identified through comparison with State rules established under general Federal guidelines.

The cost of operating quality control systems is carried as a regular administrative cost and is shared by the States and Federal Government, just as any other administrative expense.

CORRECTIVE ACTION

The basic goal of quality control systems is to reduce, over time, the extent and cost of errors in program administration. As part of each system, "corrective action plans" for error reduction are regularly formulated based on the findings of the quality control sample surveys. Corrective actions can range from personnel policy changes or new computer systems, to substantive changes in eligibility rules or procedures for verifying information provided by recipients. Very often, "error-prone" profiles are drawn up from the results of quality control surveys to assist administrators in identifying cases to which particular attention should be paid.

SANCTIONS AND INCENTIVES

Another use of the results of a quality control sample is to determine the degree to which States (or the Federal Government in the case of SSI) will be held financially liable for erroneous payments and the amount of increased Federal funding of State costs in cases where States meet Federal standards for low levels of erroneous payments.

In the AFDC, medicaid, and food stamp systems, States may be "sanctioned" by being required to pay the Federal Government the Federal cost of improperly issued benefits, as shown by quality control surveys, if they do not keep their error rates below the target rates established by the Tax Equity and Fiscal Responsibility Act for AFDC and medicaid and the 1982 Omnibus Budget Reconciliation Act for food stamps. The fiscal sanction that may be imposed is the amount of Federal funds misspent above the target error rate. However, while fiscal sanctions have been included in legislation prior to the 1982 laws, they have been waived routinely when States demonstrate that they are making a good faith effort to reduce errors. In the SSI system, the Federal Government is to reimburse States for their share of federally administered SSI funds misspent above a 4-percent "tolerance level." In the food stamp program incentive payments are made as graduated increases in the Federal share of State administrative expenses—from the normal 50 percent to 60 percent where the cumulative error rate is less than 5 percent. The food stamp incentive payment requirements also stipulate that the rate of improper denials must fall below a Federal tolerance level in order for an incentive payment to be made on the basis of low or rapidly reducing rates of erroneous payment.

Table 1 summarizes national payment error rates for the four major welfare programs over recent quality control review periods. Tables 2 to 4 present error rates by State.

For AFDC, the national average payment error rate has remained well above the target rate of 4.0 percent. In fact, only five States had error rates that met the 4.0 percent target in the October 1980–March 1981 period, the most recent period for which data are available.

Food stamp program quality control data also show error rates well above the recently legislated target levels. However, the medicaid program has shown declining error rates, and as of the October 1980–March 1981 reporting period, medicaid payment errors were only slightly above the 4.0 percent target error rate established for the second half of fiscal year 1983.

TABLE 1.—SUMMARY OF NATIONAL PAYMENT ERROR RATES BY PROGRAM

	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981	Apr. 1981–Sept. 1981
AFDC	8.3	7.3	8.3	NA
Medicaid	5.7	4.7	4.4	NA
Food stamps	10.2	8.9	10.4	10.2
SSI	5.0	4.9	5.3	4.9

NA: Not available.

TABLE 2.—AFDC PAYMENT ERROR RATES,[1] OCTOBER 1979–MARCH 1981

State	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981
National average	8.3	7.3	8.3
Alabama	6.6	7.6	8.3
Alaska	13.4	14.4	13.8
Arizona	7.7	9.5	8.7
Arkansas	9.3	6.1	6.6
California	6.3	5.1	8.6
Colorado	9.8	13.3	10.1
Connecticut	6.3	6.2	8.0
Delaware	8.1	7.9	12.8
District of Columbia	14.3	10.5	15.1
Florida	6.5	5.8	7.5
Georgia	8.3	7.8	7.3
Hawaii	8.9	9.2	10.1
Idaho	6.0	11.8	12.7
Illinois	9.4	6.9	8.6
Indiana	4.5	4.6	5.2
Iowa	4.5	3.8	4.4
Kansas	4.0	7.4	7.5
Kentucky	6.1	4.7	5.5
Louisiana	6.5	7.2	5.8
Maine	5.9	7.3	8.6
Maryland	12.7	12.7	11.8
Massachusetts	16.7	8.2	11.1
Michigan	8.2	7.3	6.9
Minnesota	4.5	2.3	3.8
Mississippi	7.9	6.9	7.3
Missouri	8.7	5.9	6.5
Montana	9.0	11.2	6.9
Nebraska	5.6	4.3	4.1
Nevada	6.0	2.3	2.5
New Hampshire	11.0	11.1	5.5

TABLE 2.—AFDC PAYMENT ERROR RATES,[1] OCTOBER 1979–MARCH 1981—Continued

State	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981
New Jersey	11.6	9.3	8.4
New Mexico	6.3	8.2	12.4
New York	7.0	9.7	9.1
North Carolina	6.5	4.8	6.2
North Dakota	7.3	4.7	3.3
Ohio	8.7	8.7	8.4
Oklahoma	4.0	4.8	4.9
Oregon	5.0	4.0	6.7
Pennsylvania	11.6	8.0	9.8
Rhode Island	8.1	9.7	6.8
South Carolina	7.7	6.9	7.4
South Dakota	3.6	6.8	7.2
Tennessee	7.0	7.0	10.2
Texas	7.4	7.8	7.1
Utah	9.1	5.5	6.0
Vermont	11.3	11.4	3.8
Virginia	5.4	4.7	3.7
Washington	8.8	9.1	9.8
West Virginia	5.3	6.9	7.1
Wisconsin	8.4	7.6	9.4
Wyoming	11.1	16.4	18.9
Guam	NA	NA	NA
Puerto Rico	6.8	10.3	10.0
Virgin Islands	10.5	5.4	NA

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[1] Not including adjustment for underpayments or improper denials.

NA: Not available.

TABLE 3.—MEDICAID PROGRAM PAYMENT ERROR RATES, OCTOBER 1979–MARCH 1981

State	Oct. 1979–Mar. 1980	Apr.–Sept. 1980	Oct. 1980–Mar. 1981
National average	5.7	4.7	4.4
Alabama	4.6	6.5	1.1
Alaska	NA	9.7	13.3
Arizona	NA	NA	NA
Arkansas	4.1	4.4	1.6
California	3.4	5.1	5.1
Colorado	10.0	10.4	6.3
Connecticut	2.9	6.8	7.7
Delaware	15.0	5.8	24.4
District of Columbia	2.7	13.7	31.4
Florida	2.3	8.0	3.4
Georgia	4.4	9.5	3.6
Guam	NA	NA	NA
Hawaii	1.7	5.4	NA
Idaho	1.5	4.8	11.8
Illinois	9.9	3.2	6.1
Indiana	1.9	1.7	2.1
Iowa	6.3	6.0	4.0
Kansas	5.3	3.4	3.7
Kentucky	2.7	3.2	3.5
Louisiana	3.4	3.5	NA
Maine	9.5	9.8	8.0
Maryland	7.8	2.4	3.1
Massachusetts	11.9	9.5	8.5
Michigan	3.5	4.6	5.9
Minnesota	7.3	2.3	.9
Mississippi	2.6	1.8	4.9
Missouri	4.0	4.7	1.0
Montana	11.5	12.8	NA
Nebraska	22.2	5.7	5.6
Nevada	.5	2.6	NA
New Hamsphire	.9	7.6	10.2
New Jersey	5.3	3.1	3.5
New Mexico	1.8	4.5	1.9
New York	2.2	4.1	3.2
North Carolina	11.4	7.7	6.5
North Dakota	3.4	2.6	7.0
Ohio	13.9	4.2	2.7
Oklahoma	1.9	2.5	3.7
Oregon	7.3	3.0	5.0
Pennsylvania	13.8	6.6	NA

TABLE 3.—MEDICAID PROGRAM PAYMENT ERROR RATES, OCTOBER 1979–MARCH 1981—Continued

State	Oct. 1979–Mar. 1980	Apr.–Sept. 1980	Oct. 1980–Mar. 1981
Puerto Rico	NA	NA	NA
Rhode Island	1.9	4.4	3.0
South Carolina	NA	5.9	NA
South Dakota	6.6	1.9	NA
Tennessee	3.2	2.7	2.3
Texas	2.7	3.1	.9
Utah	13.6	7.0	7.0
Vermont	6.2	8.1	2.5
Virgin Islands	NA	NA	NA
Virginia	2.0	2.4	3.8
Washington	7.2	1.7	3.5
West Virginia	5.9	2.7	8.1
Wisconsin	6.8	NA	NA
Wyoming	5.6	5.3	NA

NA: Not available.

TABLE 4.—FOOD STAMP PAYMENT ERROR RATES, OCTOBER 1979–SEPTEMBER 1981

State	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981	Apr. 1981–Sept. 1981
National average	10.2	8.9	10.4	10.3
Alabama	8.7	7.9	8.5	6.3
Alaska	10.4	13.3	21.8	24.9
Arizona	11.1	10.7	15.1	9.4
Arkansas	8.5	6.5	8.8	9.5
California	7.2	7.8	8.7	5.7
Colorado	8.4	8.8	11.7	13.9
Connecticut	9.6	10.3	13.9	13.7
Delaware	12.3	7.5	7.8	7.1
District of Columbia	18.2	11.5	13.8	12.5
Florida	9.1	8.6	12.5	13.2
Georgia	9.9	8.8	9.2	10.4
Guam	4.2	8.4	4.6	11.2
Hawaii	4.8	4.2	7.0	6.9
Idaho	10.6	10.0	8.8	10.3
Illinois	12.0	7.9	9.1	8.0
Indiana	8.2	6.8	9.0	7.2
Iowa	12.9	8.1	10.7	7.9
Kansas	11.9	9.2	11.6	10.7

TABLE 4.—FOOD STAMP PAYMENT ERROR RATES, OCTOBER 1979–SEPTEMBER 1981—Continued

State	Oct. 1979–Mar. 1980	Apr. 1980–Sept. 1980	Oct. 1980–Mar. 1981	Apr. 1981–Sept. 1981
Kentucky	8.1	6.3	9.1	6.6
Louisiana	11.0	7.6	10.3	10.6
Maine	10.4	8.0	9.8	6.5
Maryland	14.7	14.5	13.7	14.7
Massachusetts	11.1	9.9	12.4	10.3
Michigan	10.5	10.1	9.4	9.2
Minnesota	7.0	6.3	6.7	8.5
Mississippi	10.1	10.6	9.8	10.4
Missouri	8.0	8.0	8.8	8.3
Montana	7.9	10.2	15.4	11.6
Nebraska	14.5	10.1	11.0	11.0
Nevada	5.1	3.0	3.7	3.1
New Hampshire	9.1	8.4	13.3	12.3
New Jersey	9.8	7.5	10.0	8.8
New Mexico	13.8	12.5	12.8	13.9
New York	16.9	14.8	15.0	12.4
North Carolina	10.2	9.3	9.9	12.8
North Dakota	5.1	7.9	4.4	5.8
Ohio	7.7	9.1	8.3	7.2
Oklahoma	7.6	6.4	9.8	8.8
Oregon	9.3	9.1	7.1	21.4
Pennsylvania	11.4	6.4	10.5	8.7
Puerto Rico	9.4	7.6	11.9	7.8
Rhode Island	15.1	12.3	11.8	9.2
South Carolina	11.5	9.5	8.4	9.7
South Dakota	10.1	8.3	10.5	6.2
Tennessee	10.3	10.5	11.8	10.8
Texas	8.1	7.2	9.0	9.6
Utah	10.1	11.5	8.5	7.3
Vermont	12.1	8.9	9.4	9.0
Virgin Islands	12.7	12.2	15.0	6.5
Virginia	7.2	8.1	8.4	6.8
Washington	8.3	7.9	9.0	23.3
West Virginia	7.5	7.3	7.7	10.2
Wisconsin	10.8	8.6	11.1	9.5
Wyoming	10.9	10.0	11.5	13.4

PART 2

TRUST FUNDS (OR SPECIAL FUNDS) WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Black Lung Disability Trust Fund
Section 2. Airport and Airway Trust Fund
Section 3. Highway Trust Fund
Section 4. Inland Waterways Trust Fund
Section 5. Land and Water Conservation Fund
Section 6. National Recreational Boating Safety and Facilities Improvement Fund
Section 7. Fish Restoration
Section 8. Wildlife Restoration Projects
Section 9. Reforestation Trust Fund
Section 10. Superfunds
    (A) Hazardous Substance Response Trust Fund
    (B) Post-closure Liability Trust Fund
Section 11. Deep Seabed Revenue Sharing Trust Fund
Section 12. Tax Court Judges Survivors Annuity Fund
Section 13. Railroad Retirement System

Section 1. Black Lung Disability Trust Fund

LEGISLATIVE HISTORY AND JURISDICTION

National attention was focused on the working conditions of coal miners following a West Virginia coal mine accident in 1968 that killed 78 workers. Congressional hearings the following year on reform of the coal mine safety laws also examined the problems of coal workers' pneumoconiosis, or black lung disease. The Federal Coal Mine Health and Safety Act of 1969 established Federal minimum standards for mines in order to protect the safety and health of coal miners. In addition, title IV of the act provided benefits for miners totally disabled by black lung disease and for dependents of miners who had died from the disease or were totally disabled from the disease at death.

The 1969 act was the first effort, at any level of government, to provide benefits exclusively to the victims of a single occupational disease. This was also the first time the Federal Government took major responsibility in the traditionally State-administered area of workers' compensation. The 1969 act was amended by the Black Lung Benefits Act of 1972, the Black Lung Benefits Reform Act of 1977, the Black Lung Revenue Act of 1977, and the Black Lung Benefits Revenue Act of 1981.

The statutory provisions of the act as amended are contained in 30 U.S.C. sections 901 et seq. and in the Internal Revenue Code of 1954 sections 4121, 4218, 4951, 4952, 4953, and 9501, et seq.

There are two distinct programs of black lung benefits under title IV: part B and part C. The part B program is financed by Federal general revenues and is administered by the Social Security Administration (SSA). Benefits under part B are payable only for claims filed on or before June 30, 1973, (December 31, 1973, in the case of survivors) and thus no new beneficiaries can be added to the rolls. The part C program is administered by the Department of Labor (DOL) and generally applies to claims filed after June 30, 1973. Benefits under part C are paid either by the "responsible" coal mine operator or by the Black Lung Disability Trust Fund.

The Black Lung Disability Trust Fund was created in 1978 pursuant to the Black Lung Benefits Revenue Act of 1977 (Public Law 95–227). In 1981, the statutory provisions of the Black Lung Disability Trust Fund were transferred to the Internal Revenue Code by the Black Lung Benefits Revenue Act of 1981 (Public Law 97–119).

The Committee on Ways and Means has jurisdiction over the excise tax on coal, the structure and administration of the Black Lung Disability Trust Fund, the expenditure purposes of the Trust Fund and tax provisions as to the coal mine operators' self-insurance trusts. The Committee on Education and Labor has jurisdiction over eligibility and evidentiary standards, claims adjudication, and related benefit provisions.

The Department of Labor is required to conduct two studies and provide two reports to the Congress by June 1983. One study and report will focus on the key eligibility criteria used in granting black lung benefits. The other study and report will examine the benefits available to the same individual under this program and other social programs such as workers' compensation and unemployment insurance.

The Secretary of the Treasury is required to report to the Congress each year on the financial status of the Trust Fund during the preceding fiscal year and on its expected condition and operations during the next 5 fiscal years.

BENEFIT STRUCTURE

Generally, the Black Lung Disability Trust Fund ("Trust Fund") is required to pay benefits with respect to part C claims (claims filed *after* June 30, 1973) in which the miner's last coal mine employment was *before* January 1, 1970. Part B claims (claims filed on or *before* June 30, 1973) are generally paid by the Social Security Administration out of the general revenues of the Treasury, not the Trust Fund. If a miner's last coal mine employment was *after* January 1, 1970, and the claim was filed *after* June 30, 1973, benefits are paid by the coal mine operator judged to be responsible, the so-called "responsible operator," not the Trust Fund. The Trust Fund pays benefits if there is no responsible operator among the miner's employers or if the responsible operator is in default. Under the Black Lung Benefits Revenue Act of 1981, liability for certain claims which had been denied prior to March 1, 1978, but which were reviewed and approved under the liberalized eligibility criteria of the Black Lung Benefits Reform Act of 1977, was also transferred to the Trust Fund. When an operator is determined to be responsible for the payment of benefits which in fact have been paid out of the Trust Fund, then the operator is obligated to reimburse the Trust Fund for those amounts plus interest.

The expenses of the Department of Labor and the administrative expenses of the Department of Health and Human Services for the claims program financed through the Trust Fund are paid out of the trust fund monies. The Trust Fund also bears the cost of its own administration as well as the costs of administering the collection of the excise tax on coal.

A claim under part B or C must meet three general conditions in order to be approved for black lung disability benefits: (1) the miner must have (or, if deceased, have had) pneumoconiosis; (2) the miner must be totally disabled by the disease (or must have been totally disabled at the time of death); and (3) the pneumoconiosis must have arisen out of coal mine employment. There are certain statutory presumptions that are used to establish eligibility.

TABLE 1.—NUMBER OF PART C BENEFICIARIES

[Calendar years]

Class of beneficiary	1979	1980	1981	1982
Primary beneficiaries:				
Miners	30,739	52,922	62,787	54,953
Widows	19,366	26,739	30,517	29,721
Others	605	1,189	1,831	NA
Total primary beneficiaries	50,710	80,850	95,135	NA
Dependents of primary beneficiaries:				
Dependents of miners	31,184	54,624	63,854	NA
Dependents of widows	1,678	2,747	3,282	NA
Dependents of others	315	852	1,130	NA
Total dependents	33,177	58,223	68,266	NA
All beneficiaries	83,887	139,073	163,401	NA

Source: Department of Labor.
NA—Not available

TABLE 2.—NUMBER OF PART B BENEFICIARIES

[Calendar years]

Class of beneficiary	1970	1974	1979	1980	1981	1982 (August)
Miners	43,921	169,097	129,558	120,235	111,249	104,842
Widows	24,889	134,700	146,527	146,603	146,173	145,258
Others	43,166	183,419	142,863	132,639	119,083	110,694
Total	111,976	487,216	418,948	399,477	376,505	360,794

Source: December 1982, Social Security Bulletin Vol. 45, No. 12.

The basic monthly benefit for a miner totally disabled from black lung or a survivor is 37½ percent of the monthly pay of a Federal employee in grade GS-2, step 1. A totally disabled miner or survivor with one dependent receives the basic monthly benefit rate increased by 50 percent. If the miner or survivor has two dependents, the benefit rate is increased by 75 percent, and if there are three or more dependents, the rate is increased by 100 percent. Benefit rates are revised in October of each year to reflect any revision in Federal pay scales. The rates as of October 1982 were:

Miner or one survivor—$304.90.
Miner or survivor with one dependent—$457.40.
Miner or survivor with two dependents—$533.60.
Miner or survivor with three or more dependents—$609.80.

Black lung benefits are not taxed by the Federal Government, although States may do so. According to the Department of Labor, the average monthly black lung benefit for a single claimant under part C for fiscal 1982 was $308.16 and the average for a claimant with one dependent was $461.78. In calendar year 1979, eight States accounted for nearly 80 percent of the part C monthly benefits payments: Pennsylvania (25.7 percent); West Virginia (15.7 percent); Ohio (10.1 percent); Kentucky (8.6 percent); Illinois (5.6 percent); Virginia (5.4 percent); Alabama (3.7 percent); Indiana (3.0 percent); Tennessee (2.1 percent); and Michigan (1.9 percent).

Reductions in black lung benefits or the offset of black lung benefits against other benefits are subject to significantly different rules depending upon whether the benefits are paid under part B or part C. Under part B, black lung benefits are reduced by any payments received under the workers' compensation, unemployment compensation or disability insurance laws of a State if such payments are for death or disability due to pneumoconiosis. If the State payments are made for reasons other than pneumoconiosis, black lung benefits are not reduced. Part C benefits are reduced for State or Federal workers' compensation (but *not* for unemployment compensation or disability insurance) in the same manner.

Under part B, miners or their parents, brothers or sisters (but not their spouse or children) have always been subject to an earnings test which causes their black lung benefits to be reduced as defined in section 203 of the Social Security Act (the same earnings test for social security recipients). For example, in 1982 if a disabled miner, under the age of 65, earned more than $4,440.00 in wages then his or her black lung benefits were reduced. For every $2.00 of earnings over $4,440.00, benefits were reduced $1.00.

The amount of earnings allowed before an offset applies is adjusted each year for inflation, and a larger amount ($6,000.00) applies to those ages 65 and under 70. There is no offset for persons 70 and over beginning in 1983. This excess earnings offset does *not* apply to benefits payable under part C, unless the claim for benefits was filed on or after January 1, 1982.

Under part B, black lung benefits are not considered workers' compensation payments and therefore are not considered in calculating any social security disability payments under Title II of the Social Security Act. However under part C, exactly the opposite is the case, and black lung benefits must be taken into account in applying the 80 percent test enacted as part of Public Law 97-35. Thus, under part C, black lung benefits for miners (not spouses or other beneficiaries) plus disability payments under title II of the Social Security Act cannot exceed 80 percent of the miner's prior earnings.

Survivor benefits under the black lung program are not reduced as a result of social security survivor benefits.

A miner (but not a miner's family or survivors) receiving black lung cash benefits is eligible for medical and rehabilitation benefits including treatment and/or medications prescribed for the miner's black lung disease and directly associated illnesses. Medical costs are paid either by a responsible coal mine operator or by the Trust Fund, whichever is responsible for payment of regular monthly benefits.

FINANCING MECHANISM

A manufacturers' excise tax is imposed on domestically mined coal (other than lignite) which is sold or used by the producer (Internal Revenue Code sections 4121 and 4218). The pre-1982 rate of tax was the lesser of (1) 50 cents per ton for coal from underground mines and 25 cents per ton for coal from surface mines, or (2) 2 percent of the price for which the coal was sold.

A temporary increase of these excise taxes was enacted in 1981 (Public Law 97–119), effective January 1, 1982. As a result, the current tax is the lesser of (1) $1 per ton for coal from underground mines and 50 cents per ton for coal from surface mines, or (2) 4 percent of the price for which the coal is sold. The temporary tax increase will expire on January 1, 1996, or earlier, if the Black Lung Disability Trust Fund becomes solvent (i.e., the tax will revert to pre-1982 levels).

Amounts equal to the revenues from this excise tax (plus any revenues from the penalty tax on taxable expenditures from a coal mine operator self-insurance trust, described below) are automatically appropriated to the Black Lung Disability Trust Fund.

A responsible operator may fund its liability for black lung benefits through deductible contributions to a qualified tax-exempt trust (code section 501(c)(21)), called coal mine operators' self-insurance trusts. Misuse of a trust due to self-dealing (code section 4951) and expenditures for an improper purpose (code section 4953), trigger certain penalty excise taxes. Amounts collected under these provisions, which in the past have been very small, are appropriated to the Black Lung Disability Trust Fund.

FINANCIAL STATUS OF TRUST FUND

The Trust Fund has been operating at a deficit since its establishment in 1978. As of fiscal year 1982, the Trust Fund has paid out over $2.6 billion in cash benefits and medical expenses, along with approximately $173 million in administrative costs. It also has accumulated over $330 million in interest charges. At the same time, the excise tax on coal has generated only approximately $1.3 billion in revenues leaving a cumulative deficit of over $1.7 billion through fiscal year 1982. This deficit has been financed with advances from the general revenues of the U.S. Treasury which must be repaid with interest from future trust fund revenues.

Table 3 shows the status of the Trust Fund as of the end of fiscal year 1982.

TABLE 3.—STATUS OF BLACK LUNG DISABILITY TRUST FUND

[In thousands of dollars]

Fiscal year	Income			Outgo		
	Coal tonnage tax	Interest	Advances from general fund	Benefit payments	Administrative expenses	Interest on advances
Actual:						
1978	92,050	1,192	18,925	76,797	35,346	....
1979	221,614	122	400,809	582,038	32,149	7,740
1980	272,262	....	535,837	721,746	34,238	52,497
1981	236,635	....	554,778	644,288	35,585	109,488
1982	490,746	254	283,002	578,244	35,789	160,597
Total	1,313,307	1,568	1,793,351	2,603,113	173,107	330,322

Source: Fourth Annual Report on the Financial Condition and Results of Operations of the Black Lung Disability Trust Fund (Department of Treasury, September 30, 1981) and Budget of the U.S. Government, Fiscal Year 1984, Appendix.

The changes contained in the Black Lung Benefits Revenue Act of 1981, including the increase in the coal excise tax effective January 1, 1982, are expected to bring the Trust Fund into total solvency by 1995 and allow the Trust Fund to cease borrowing from the general revenues of the Treasury by 1987.

Table 4 indicates the projected financial status of the Trust Fund through the end of fiscal year 1995.

TABLE 4.—PROJECTED FINANCIAL STATUS OF BLACK LUNG DISABILITY TRUST FUND

[in millions of dollars]

Fiscal year	Total revenues	Total obligations	Advances needed	Cumulative fund balance
1983	597.9	722.5	127	−1,944.0
1984	636.9	706.8	70	−2,013.9
1985	678.5	695.3	17	−2,030.7
1986	713.0	713.7	1	−2,031.4
1987	752.6	716.7	0	−1,995.5
1988	797.6	714.4	0	−1,912.3
1989	848.4	705.5	0	−1,769.4
1990	905.7	709.7	0	−1,573.4
1991	949.5	689.7	0	−1,313.7
1992	996.4	668.6	0	−985.8
1993	1,046.6	631.1	0	−570.3
1994	1,100.0	577.6	0	−49.3
1995	1,154.0	536.9	0	+569.2

Source: Department of Labor.

Section 2. Airport and Airway Trust Fund

LEGISLATIVE HISTORY

1970 Act and 1971 Amendment

The Airport and Airway Trust Fund was established as of July 1, 1970, by the Airport and Airway Revenue Act of 1970 (Title II of the Airport and Airway Development Act of 1970, Public Law 91-258). The 1970 Act provided that new and increased aviation user taxes were to be deposited into the Trust Fund and, with interest earned on the deposits, were to be available to meet specified airport and airway obligations of the United States incurred under Title I of the 1970 Act, as it was in effect on the date of enactment. Amounts in the Trust Fund were available for making specified expenditures, as provided in appropriations acts, until July 1, 1980.

The 1970 Act authorized Trust Fund expenditures for the maintenance and operation of air navigation facilities, qualified airport planning and construction purposes, airway facilities and equipment, research and development, safety, and related departmental administrative expenses. However, a 1971 amendment (Public Law 92-174) to Title I of the 1970 Act removed the authority for spending Trust Fund monies for maintenance and operation of the airway system. This amendment also limited the authority for meeting administrative costs from the Trust Fund to only such administrative expenses related to the remaining authorized purposes.

1973 Amendment

A 1973 amendment (Public Law 93-44) to Title I of the 1970 Act increased the authorization levels for airport grants for fiscal years 1974 and 1975, increased the Federal share for certain airport grants and safety and security equipment costs, and amended the definition of airport development to specifically include security equipment required under regulations of the Department of Transportation.

1976 Amendment

The Airport and Airway Development Act Amendments of 1976 (Public Law 94-353) further amended Title I of the 1970 Act to include several additional expenditure categories to be authorized from the Trust Fund. The new expenditure categories were: snow removal equipment; noise suppressing equipment; construction of physical barriers and landscaping for the purpose of reducing the effect of aircraft noise in areas adjacent to public airports; acquisition of land or property interest for airport noise control purposes; airport terminal development (the public, nonrevenue-producing areas, including baggage facilities and passenger moving equipment); and specified amounts for maintenance of airway facilities. Thus, the 1971 prohibition against authorizing airway operating and maintenance costs from the Trust Fund was partially removed by the 1976 amendment. In addition, the 1976 amendment provided authorization levels for airport grants and other existing Trust Fund expenditure programs through fiscal year 1980, and increased the Federal share for certain airport grants for fiscal years 1977 and 1978.

The Committee on Ways and Means offered a Committee amendment as Title III to the 1976 Act Amendments which amended the Trust Fund language to conform it to the authorization provisions approved by the Committee on Public Works and Transportation and to permit expenditures from the Fund to be made until October 1, 1980 (instead of July 1, 1980). The Committee on Ways and Means initially declined to allow expenditures from the Trust Fund for terminal facilities; however, this expenditure purpose was eventually approved by a separate vote of the House.

1979 Amendment

The Aviation Safety and Noise Abatement Act of 1979 (Public Law 96-193) further amended Title I of the 1970 Act to authorize Trust Fund appropriations for airport noise compatability planning programs and airport noise compatability grants and to increase the airport development authorization amounts for fiscal year 1980. In addition, the Act amended the Trust Fund language (section 208(f)(1)(A) of the Airport and Airway Revenue Act of 1970; 49 U.S.C. 1742(f)(1)(A)) to conform to the 1979 amendments.

1980 Amendment

In 1980, Public Law 96-298 was enacted to extend the aviation excise taxes and require the deposit of the revenues from these taxes into the Trust Fund from July 1, 1980 until October 1, 1980. In 1980, the Committee on Ways and Means also reported the Airport and Airway Revenue Act of 1980 as a Committee amendment, to be offered as Title II to H.R. 6721, in order to extend aviation excise taxes and the Trust Fund until October 1, 1985. However, the bill was not considered by the House prior to the adjournment of the 96th Congress. As a result, expenditures from the Trust Fund were not authorized after September 30, 1980; further, on October 1 many of the aviation excise taxes automatically expired or were reduced, and the deposit of the remaining aviation excise tax revenues into the Trust Fund was terminated.

1981 Amendment

In 1981, the Committee on Ways and Means approved a technical and conforming amendment to the Trust Fund provisions in order to allow expenditures to be made from the Trust Fund through September 30, 1981. The Committee amendment was included in H.R. 4182, the fiscal year 1981 Airport Development Authorization Act, which was approved by the House in July 1981. The provisions of H.R. 4182 were later enacted as part of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35.

Also in 1981, the House Committee on Public Works and Transportation approved H.R. 2643 to set funding levels for airport and airway programs for fiscal years 1982 and 1983. At the adjournment of the first session of the 97th Congress, a financing title for the bill was pending in the Committee on Ways and Means.

1982 Amendment

On May 12, 1982, the Committee on Ways and Means reported H.R. 4800 as a financing title for H.R. 2643; the bill extended and reinstated various aviation excise taxes and the Airport and Airway Trust Fund for the period July 1, 1982, through December 31, 1983.

Title V of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) contained the provisions of the Airport and Airway Improvement Act of 1982, authorizing spending out of the Trust Fund for airport programs at higher levels over the period fiscal years 1982 through 1987. Aviation excise tax provisions (similar to those in H.R. 4800) were also included in title III of TEFRA to raise sufficient revenue to fund the airport and airway spending authorized in title V of the Act. The various aviation excise taxes were extended and reinstated, some at higher tax rates, for the period September 1, 1982, through December 31, 1987 (see following table). Three modifications were made in the passenger ticket tax and an exemption was provided from the fuel and ticket taxes for helicopters used in timber operations or hard mineral exploration or development where the Federal aviation system and Federal-aid airports are not utilized. The Airport and Airway Trust Fund was extended through fiscal year 1987 and its expenditure purposes were updated to include the changes made in title V. (Adjustments in certain of the airport and airway spending programs were subsequently made in H.R. 6211 (P.L 97-424), and conforming cross references in the Trust Fund provisions were also included.) The Trust Fund provisions were also transferred to the Internal Revenue Code, effective September 1, 1982.

FINANCING MECHANISM

The Airport and Airway Trust Fund is financed by several aviation excise taxes. As noted above, these excise taxes were reimposed or increased in TEFRA of 1982. Generally these taxes are the same as in effect before October 1, 1980, except that the aviation fuel taxes are now at higher rates. The following table sets forth the taxes and rates under prior law and those presently in effect:

TABLE 1.—SCHEDULE OF AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES

Tax (and code section)	Prior law (July 1, 1970–Oct. 1, 1980) rate	Rate Oct. 1, 1980–Aug. 31, 1982	Present law rate (Sept. 1, 1982–Dec. 31, 1987)
Air passenger ticket tax (sec. 4261(a), (b) and (d))[1] [2]	8 percent	5 percent	8 percent.
Air freight waybill tax (sec. 4271).	5 percent	0	5 percent.
International departure tax (sec. 4261(c)).	$3 per person	0	$3 per person.

TABLE 1.—SCHEDULE OF AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES—Continued

Tax (and code section)	Prior law (July 1, 1970–Oct. 1, 1980) rate	Rate Oct. 1, 1980–Aug. 31, 1982	Present law rate (Sept. 1, 1982–Dec. 31, 1987)
Fuels tax for noncommercial (general) aviation (sec. 4041(c))[2].	7 cents per gallon.	[3] 4 cents per gallon.	12 cents per gallon on gasoline; 14 cents per gallon on other fuels.
Aircraft use tax [2]	([4])	0	0.
Aircraft tires tax (sec. 4071)[5]	5 cents per pound.	4.875 cents per pound.	[5] 4.875 cents per pound.
Aircraft tubes tax (sec. 4071)[5]	10 cents per pound.	10 cents per pound.	[5] 10 cents per pound.

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[1] Air transportation between the United States and a foreign station which is not more than 225 miles from the nearest point in the continental United States, as well as between two such foreign stations, generally is subject to this tax where payment for the travel is made in the United States. The 1982 amendments permit the Secretary to waive the 225-mile zone rule if Canada or Mexico enter into a "qualified agreement". This tax does not apply to transportation between the United States and other foreign stations where payment is made outside the United States, nor does it apply to the U.S. portions of certain uninterrupted international air transportation (where the layover does not exceed 12 hours). Also, the air passenger ticket tax does not apply to the portion of flights to or from Alaska and Hawaii which are not made over the United States (Code sec. 4262).

[2] The tax does not apply to aircraft owned by a tax-exempt museum operated exclusively for the procurement, care, and exhibition of World War II aircraft (defined in sec. 4041(h)). Certain helicopters are exempt under the 1982 amendment.

[3] The 7 cents a gallon tax on jet fuel expired on October 1, 1980; the 4 cents a gallon tax applied only to aviation gasoline from Oct 1, 1980 through August 31, 1982.

[4] An annual tax of two parts: (1) a $25 annual per plane tax, plus (2) a weight tax of 3½ cents per pound for turbine-power (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of "maximum certificated takeoff weight." However, for the period July 1, 1980-September 30, 1980, the use tax was one-fourth the applicable annual rates.

[5] Under the provisions of HR 6211 (PL 97–424), the taxes on inner tubes and non-highway tires are repealed, effective Jan. 1, 1984.

The passenger ticket tax applies to air passenger transportation within the United States, while the $3 per passenger international departure tax applies to flights abroad beginning in the United States and to flights to and from Alaska and Hawaii. The freight waybill tax applies to the transportation of property by air which begins and ends in the United States. Aircraft not subject to these passenger or freight taxes are subject to the fuel taxes noted above; exemptions are provided for aviation fuels used on farms or used for farming purposes or by a State or local government or a nonprofit educational organization. Also, under the 1982 Act, certain helicopters are exempt from the fuels and ticket taxes if used in timber or hard mineral operations where the Federal aviation system and Federal-aid airports are not used.

EXPENDITURE PURPOSES

The present Trust Fund statute authorizes obligations incurred under Title I of the 1970 Act, under the 1976 Act Amendments, under the 1979 Act amendments, under the Fiscal Year 1981 Authorization Act, or under the Airport and Airway Improvement Act of 1982, as such Acts were in effect on the date of enactment of the 1982 Act.

The Airport and Airway Trust Fund expenditure programs authorized under present law are generally as follows:

1. *Airport Development Aid Program (ADAP)*—

   (a) *Airport planning*—Grants to planning agencies for airport system planning and public agencies for airport master planning; also, airport noise compatibility planning grants for air carrier airports eligible for terminal development costs.

   (b) *Airport construction*—Construction, improvement or repair of a public airport (includes removal of airport hazards and construction of physical barriers and landscaping to diminish noise).

   (c) *Airport terminal facilities*—Non-revenue-producing public-use areas which are directly related to movement of passengers and baggage at certificated air carrier airports having required safety and security equipment (include baggage facilities and passenger-moving equipment); does not include costs of construction of public parking facility for passenger automobiles or costs of construction, alteration, or repair of a hanger or any airport building unless used to house facilities or activities directly related to safety of persons at the airport. These facilities include multimodal terminal development and bond retirement for certain airports.

   (d) *Land acquisition*—Includes land or property interests for airport noise control purposes.

   (e) *Airport-related equipment*—Airport security equipment required by DOT regulations, snow removal equipment, noise suppressing equipment, navigation aids, and safety equipment required for airport certification.

   (f) *Airport noise compatibility programs*—Includes soundproofing of public buildings; local governmental units are eligible for project grants as well as airports.

2. *Facilities and Equipment Program (F&E)*—Costs of acquiring, establishing, and improving air navigation facilities.

3. *Research, Engineering, Development, and Demonstration Program (R&D)*—Projects in connection with FAA research and development activities.

4. *Operations and Maintenance Programs (O&M)*—Flight check and maintenance of air navigation facilities; services provided under international agreements relating to the U.S. share of joint provision of air navigation services.

5. *Other costs*—Certain airline costs of international passenger security screening facilities.

MISCELLANEOUS

The Secretary of the Treasury is required to report to the Congress each year on the financial condition of the Trust Fund.

The Committee on Public Works and Transportation has jurisdiction over airport and airway development and improvement programs.

The statutory provisions establishing the Airport and Airway Trust Fund and governing its operations are located at section 9502 of the Internal Revenue Code.

Financial Status of Trust Fund

Table 2 is based on the Department of Treasury's Eleventh Annual Report on the Trust Fund, and it sets forth the Fund's receipts and outlays for fiscal year 1971 through 1982. Estimates for future fiscal years after 1982 are not included here.

Table 2 also contains cash balances in the Trust Fund at the end of each fiscal year since 1971. However, it must be noted that large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations and unexpended appropriations. Table 3 sets forth the balances remaining in the Fund after these commitments have been taken into account, called the uncommitted balances, for fiscal years 1977 through 1982.

TABLE 2.—STATUS OF AIRPORT AND AIRWAY TRUST FUND, ACTUAL THROUGH SEPTEMBER 30, 1982

[In millions of dollars]

Fiscal year	Receipts				Outlays	Cash balance in the fund [2]
	Excise taxes, net	Interest on investments	Other [1]	Total		
1971	563		621	1,184	287	897
1972	649		902	1,551	1,389	1,058
1973	758		69	828	699	1,187
1974	840	28		868	521	1,534
1975	962	96		1,058	579	2,013
1976	938	146		1,084	547	2,550
T.Q	277	1		278	92	2,736
1977	1,191	194		1,384	853	3,268
1978	1,326	219		1,545	1,115	3,698
1979	1,526	282		1,809	1,114	4,392
1980	1,874	400		2,274	1,224	5,442
1981	21	561		582	1,306	4,719
1982	132	542		674	1,512	3,881

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[1] Amounts appropriated from the general fund and unexpended balances of certain general fund accounts transferred to the Trust Fund.

[2] Large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations (contract authority) and to liquidate unexpended appropriations. Also, funds equivalent to cumulative shortfalls below minimum annual obligation levels must be reserved for future expenditure.

Source: "Eleventh Annual Report on the Financial Condition and Results of Operations of the Airport and Airway Trust Fund, September 30, 1981," Department of Treasury, and Appendix to the U.S. Budget for Fiscal Year 1984.

TABLE 3.—AIRPORT AND AIRWAY TRUST FUND UNCOMMITTED BALANCES—FISCAL YEARS 1977 THROUGH 1982

Uncommitted balance end of fiscal year	Millions of dollars
1977	1,709
1978	2,182
1979	2,742
1980	3,686
1981	3,021
1982	2,156

Source: Appendix to the U.S. Budget for Fiscal Years 1979–84.

Section 3. Highway Trust Fund

LEGISLATIVE HISTORY

Development of the Trust Fund and Highway Tax Revenue Sources

The Highway Trust Fund was established in 1956 (Public Law 84–627) for a 16-year period to provide a specific source of financing for the new Interstate System and continuation of other Federal aid-highway programs. The other highway-aid programs previously had been financed through the general fund. The 1956 legislation increased certain highway user taxes, primarily the taxes on motor fuels (from 2 cents a gallon to 3 cents a gallon), and imposed a new highway user tax on heavy highway motor vehicles. Initially, the Trust Fund was financed by the proceeds of the following highway user excise taxes: the manufacturers' taxes on gasoline for highway use, and tires, tubes, and tread rubber for highway use; a portion of the manufacturers' tax on trucks and buses (20 percent for 1957 and 50 percent thereafter, until changed to 100 percent by 1961 legislation); the tax on use of heavy highway motor vehicles; and the retailers' tax on diesel and special motor fuels for highway use.[1]

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[1] The Airport and Airway Revenue Act of 1970 created the Airport and Airway Trust Fund and deposited into it the manufacturers' and retailers' taxes on aviation gasoline, the manufacturers' taxes on tires and tubes of the types used on aircraft, and the retailers taxes on aviation fuel, as well as the taxes on transportation of persons and property by air and on use of civil aircraft.

The Land and Water Conservation Act of 1965 created the Land and Water Conservation Fund and required that the taxes on special fuels and gasoline used as motorboat fuel be transferred to that fund from the Highway Trust Fund. In addition, P.L. 96–451 authorized transfers up to $20 million per year for fiscal years 1981–1983 of revenues from the motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. This amount was increased to $45 million in the Highway Revenue Act of 1982, through fiscal year 1988.

The manufacturers' excise taxes on lubricating oil for highway use and truck and bus parts were transferred into the Trust Fund as the result of 1966 legislation.

The Revenue Act of 1971 repealed the tax on trucks and buses with gross vehicle weight of 10,000 pounds or less.

The Energy Act of 1978 repealed the manufacturers' tax on buses as well as the excise taxes on bus parts, tires and tubes, tread rubber and lubricating oil.

Further changes were made in the Highway Trust Fund taxes in the Highway Revenue Act of 1982.

Section 209(b) of the Highway Revenue Act of 1956 included a declaration of congressional policy that (1) if it appears that the total receipts of the Trust Fund will be less than the total expenditures from the Trust Fund, or (2) if it appears that the distribution of the tax burden among the various classes of highway users or other beneficiaries of the highways is not equitable, then Congress is to enact legislation to bring about a balance of total Trust Fund receipts and expenditures or to make an equitable distribution of the tax burden. In addition, the 1956 Act provided for a 3-year highway cost allocation study (later extended for 2 additional years) to determine the fair distribution of highway-related user taxes among the various users.

Section 209(g) of the Highway Revenue Act of 1956 also contained a provision—the "Byrd Amendment"—to prevent the Trust Fund from reaching a deficit position. In general, this provision required that if Trust Fund balances and estimated future receipts would be inadequate to cover obligations as they become due, a reduction of the Interstate System authorization in an amount sufficient to eliminate the difference would be required.

In 1959, the tax on motor fuels was temporarily increased for 1960 and 1961 from 3 cents a gallon to 4 cents a gallon in order to finance the authorized level of Trust Fund spending. The 4-cent rate was then extended in 1961 for the life of the Trust Fund (June 30, 1972, at that time). The 1961 legislation also increased the tax rates on tires, tubes and tread rubber, doubled the tax on heavy trucks, and transferred the entire 10-percent excise tax on trucks and buses to the Trust Fund (previously, only one-half of this tax went into the Trust Fund).[2] In addition, the 1961 Act extended the Highway Trust Fund for 3 months, from June 30, 1972, to September 30, 1972, again to provide additional revenues to meet projected highway program costs.

Highway legislation in 1966 also transferred the revenues from the existing manufacturers' excise taxes on lubricating oil and truck and bus parts to the Highway Trust Fund. Thus, with respect to the highway-related excise taxes, only the tax on automobiles did not go into the Trust Fund. (The 7-percent excise tax on automobiles was later repealed by the Revenue Act of 1971.)

Subsequent Extensions of Highway Trust Fund

The Highway Trust Fund and the related highway user taxes have been extended four times since 1961: a 5-year extension in the Federal-Aid Highway Act of 1970 (from September 30, 1972, through September 30, 1977), a 2-year extension in the Federal-Aid Highway Act of 1976 (through September 30, 1979), a 5-year extension in the Surface Transportation Assistance Act of 1978 (through September 30, 1984) and a 4-year extension in the Surface Transportation Assistance Act of 1982 (through September 30, 1988). The extensions, prior to 1982, were added by the Committee on Ways and Means as a separate title to a highway authorization bill of the Committee on Public Works and Transportation and involved only the extensions of existing highway user excise taxes and tax rates. (See reference to 1982 Act below).

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[2] The 1961 Act also repealed a scheduled transfer to the Trust Fund of one-half the 10-percent excise tax on automobiles.

In the 1978 Act, the operation of the "Byrd Amendment" was modified to require that when anticipated revenues are insufficient to cover expenditures, reductions will be made on a pro rata basis to all apportioned highway funds, rather than to interstate apportionments only (sec. 209(g) of the Highway Revenue Act of 1956). In addition, an exemption from the fuels taxes was provided for fuels used by qualified taxicabs until the end of 1980 (later extended to December 31, 1982). Finally, two studies were required: a cost allocation study was required to be conducted by the Department of Transportation with a final report to Congress by January 15, 1982, and a study of the highway excise tax structure was required to be conducted by the Department of Treasury with a final report to Congress by April 15, 1982.[3]

Highway Revenue Act of 1982

The highway user taxes and trust fund provisions were substantially revised in the Surface Transportation Assistance Act of 1982 (H.R. 6211), Public Law 97-424. Titles I and II of the Act contained authorizations for highway programs at higher levels for four fiscal years, 1983 through 1986. Accordingly, Title V, the Highway Revenue Act of 1982, extends and revises the highway user taxes and the Trust Fund for an additional 4 years, through September 30, 1988 (see following table). Those taxes and the Trust Fund are terminated on October 1, 1988.

In revising and extending the Highway Trust Fund, its provisions were codified in the Internal Revenue Code (section 9503), effective January 1, 1983. Eligible Trust Fund expenditure purposes were revised to include spending authorized under the 1982 Act. Further, the anti-deficit provision ("Byrd amendment") was revised to reduce apportionments when unfunded authorizations exceed estimated recipts for the following 24-month period. Trust Fund estimates are required quarterly.

The 1982 Act increases the amount of revenue (from the motorboat fuels taxes) that can be transferred to the Boating Safety Fund from $20 million to $45 million per year. This fund is also extended through fiscal year 1988.

The Act establishes a new Mass Transit Account, within the Highway Trust Fund, financed from the revenue equivalent of 1 cent of the 9 cents per gallon tax on fuels. Amounts in the Mass Transit Account are available for making capital expenditures authorized under section 21(a)(2) of the Urban Mass Transportation Act. An anti-deficit provision similar to that described above for the Highway Trust Fund, also is to be applied except that unfunded authorizations may not exceed estimated receipts for the following 12 months.

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[3] The 1978 amendments were contained in Title V, the Highway Revenue Act of 1978, of the 1978 Surface Transportation Assistance Act (P.L. 95-599). The highway cost allocation study was submitted in May 1982 and the highway excise tax structure study was submitted in December 1982.

FINANCING MECHANISM

The highway excise taxes deposited into the Highway Trust Fund, as revised under the 1982 Act and in effect until October 1, 1988, are set forth in the following table, in comparison with prior law (pre-1983). Special effective dates are set forth in the footnotes.

TABLE 1.—HIGHWAY EXCISE TAX RATES UNDER PRESENT AND PRIOR LAW

Tax	Prior (pre-1983) rate	Present (1982 Act) rate*
Gasoline (manufacturers)	4 cents per gallon	9 cents per gallon.[1]
Diesel and other motor fuels (retail)	4 cents per gallon	9 cents per gallon.[1]
Lubricating oil (manufacturers)	6 cents per gallon	No tax.[2]
Trucks and trailers (manufacturers)	10 percent of manufacturers sale price	12 percent of retail sale price.[3]
Truck parts and accessories (manufacturers)	8 percent of manufacturers sale price	No tax.[2]
Tires (manufacturers)	Highway—9.75 cents per pound [4] Nonhighway—4.875 cents per pound.[4] Laminated—1 cent per pound.[4]	Graduated rates on highway tires over 40 pounds; no tax on other tires.[4]
Innertubes (manufacturers)	10 cents per pound	No tax.[4]
Tread rubber	5 cents per pound	No tax.[4]
Annual use tax on heavy trucks	$3 per 1,000 pounds, if GVW exceeds 26,000 pounds [5].	Graduated schedule: [5] 33,000–55,000 pounds: $50 plus $25 per 1,000 pounds in excess of 33,000 pounds. 55,000–80,000 pounds: $600 plus $40 per 1,000 pounds in excess of 55,000 pounds. 80,000 pounds and over: $1,600.

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*These excise taxes expire on Oct. 1, 1988.

[1] Effective April 1, 1983.

[2] Effective on the day (Jan. 7, 1983) after the date of enactment; floor stock provisions in the 1982 Act allow refunds for tax paid on tax-repealed articles sold after December 2, 1982, until date of repeal.

[3] Under the 1982 Act, this tax will not apply to trucks under 33,000 pounds or trailers under 26,000 pounds, effective on the day (Jan. 7, 1983) after date of enactment; floor stock refunds are available as noted above. The rate increase on trucks and trailers subject to the tax and the shift to the retail level are effective April 1, 1983.

[4] Effective January 1, 1984, the 1982 Act repeals the taxes on inner tubes, tread rubber, and all tires other than highway tires weighing over 40 pounds. The tax on these highway tires will be 15 cents per pound in excess of 40 pounds for tires between 40 to 70 pounds; $4.50 plus 30 cents per pound on the excess from 70 to 90 pounds; and $10.50 plus 50 cents per pound on the excess over 90 pounds.

[5] Effective July 1, 1984, the use tax on heavy trucks is converted to a graduated rate schedule based on taxable gross weight. The schedule noted in the table applies for taxable periods beginning July 1, 1984, and July 1, 1985. On July 1, 1986, 1987, and 1988, the rate schedule per 1,000 pounds above 55,000 pounds will be increased to $44, $48, and $52, respectively, which will raise the maximum tax to $1,700, $1,800, and $1,900 respectively. These scheduled rates apply with a one-year delay to taxpayers who own and operate no more than 5 vehicles. Under the Act, an exemption is provided for vehicles which are used on the public highways for 5,000 miles or less during the year, and the tax is pro-rated where vehicles are destroyed or stolen during the year. The tax is also prorated when the vehicle is initially placed in service after the first month of the taxable year (under present and prior law).

Under present law, exemptions from the fuels taxes are provided for fuel used on a farm or for farming purposes, fuel used in intercity, local or school buses, and fuel used by qualified taxicabs (the latter exemption is through September 30, 1984).[4] The 1982 Act also provided a full exemption for off-highway business use and for certain alcohol fuels. The exemption for gasohol was increased from 4 cents to 5 cents per gallon under the 1982 Act, effective through December 31, 1992. In addition, buses are exempt from the 12-percent tax on trucks and trailers, and intercity, local and school buses are exempt from the taxes on tires, tubes, and tread rubber.[5] General exemptions are provided from these excise taxes for State and local governments and tax-exempt educational organizations. All exemptions (except gasohol) will terminate when the taxes expire on October 1, 1988.

EXPENDITURES PURPOSES

Highway related programs

The statutory provisions governing expenditures from the Highway Trust Fund were revised in the 1982 Act to provide that amounts in the Trust Fund are to be available through September 30, 1988, as provided in appropriation acts, for meeting obligations incurred which are authorized by law to be paid out of the Trust Fund under the Highway Revenue Act of 1956, under Title I or II of the Surface Transportation Assistance Act of 1982, or thereafter, amounts for a general purpose authorized under these Acts as of December 31, 1982. As a result, the Trust Fund expenditure purposes are quite broad and include funding for:

—Federal-aid highways, including the interstate system, primary and secondary systems, urban systems, forest and public lands highways, scenic highways, overseas highways, etc.;

—Interstate resurfacing and repair;

—Bridge replacement;

—Highway safety research and development;

—Highway-related safety grants;

—Traffic control demonstration grants;

—Traffic control signal demonstration projects;

—Intermodal urban demonstration projects and mass transit grants;

—Carpools and vanpools grants;

—National Highway Traffic Safety Administration for a share of traffic safety programs; and

—Certain administrative costs of FHWA and NHTSA.

Mass Transit Account

The 1982 Act established a new Mass Transit Account within the Highway Trust Fund, consisting of the revenue equivalent to 1 cent per gallon of the 9 cents per gallon tax on fuels and interest earnings on amounts in the account. Amounts are available through September 30, 1988, as provided in appropriation acts, for making capital expenditures under section 21(a)(2) of the Urban Mass Transportation Act of 1964 (including new projects).

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[4] Under the 1982 Act, the fuel tax exemption for qualified taxicabs was extended from December 31, 1982 to September 30, 1984, and certain taxicabs were made eligible for the exemption for 1983 only (e.g., taxicabs prevented by local law from offering ridesharing).

[5] These exemptions for buses were adopted in the Energy Act of 1978 (Public Law 95–618) and extended in the 1982 Act. As noted earlier, the taxes on inner tubes and tread rubber are repealed effective January 1, 1984.

Transfers to the Land and Water Conservation Fund and National Recreational Boating Safety and Facilities Improvement Fund

Revenues equivalent to the 9 cents per gallon tax on fuels used in motorboats are transferred to these two funds through fiscal year 1988: up to $45 million per year is to be transferred to the Boating Safety Fund so long as the fund balance does not exceed $45 million, with the balance to the Land and Water Conservation Fund. (See separate discussion of these funds in sections 5 and 6 following.)

MISCELLANEOUS

The Secretary of the Treasury is required to report to the Congress each year on the financial condition of the Trust Fund. In addition, a special report on alternative forms of the highway use tax is required from the Department of the Treasury by January 2, 1985.

The Committee on Public Works and Transportation has jurisdiction over the highway and mass transit spending programs.

The statutory provisions establishing the Trust Fund and governing its operations are located at section 9503 of the Internal Revenue Code.

FINANCIAL STATUS OF TRUST FUND

The following tables are based on the Department of Treasury's Twenty-Sixth Annual Report on the Highway Trust Fund, September 30, 1981.

Table 2 contains Trust Fund receipts from the various excise taxes and interest on investments for fiscal year 1981 and on a cumulative basis through September 30, 1981. The same data is provided for outlays from the Trust Fund by major expenditure purpose.

Table 3 illustrates for each fiscal year from 1957 through 1981 the Trust Fund balance compared with outstanding obligations and unpaid authorizations.

TABLE 2.—STATUS OF HIGHWAY TRUST FUND, SEPTEMBER 30, 1981

[Dollars in thousands]

Description	Cumulative through Sept. 30, 1981		Fiscal year 1981	
	Amount	Percent of total	Amount	Percent of total
RECEIPTS				
Excise taxes (transferred from general fund):				
Gasoline	$81,155,647	65.6	4,047,115	54.4
Diesel and special motor fuels	6,535,274	5.3	560,972	7.6
Tires used on highway vehicles	12,631,862	10.2	599,418	8.1
Tread rubber	571,022	.5	19,094	.3
Trucks, buses, and trailers	11,664,875	9.4	664,228	8.9
Use of certain vehicles	3,597,968	2.9	236,654	3.2
Inner tubes	610,837	.5	25,966	.4
Other tires	272,718	.2		
Parts and accessories	2,105,591	1.7	233,711	3.1
Lubricating oils	1,527,922	1.2	101,222	1.4
Total taxes	120,673,715	97.6	6,488,379	87.3
Less transfer to Land and Water Conservation Fund	496,213	.4	31,000	.5
Gross taxes	120,177,502	97.1	6,457,379	86.9
Less refunds of taxes (reimbursed to general fund):				
Gasoline used on farms [1]	2,440,574	2.0	117,064	1.6
Gasoline used for nonhighway purposes or local transit [1]	391,160	.3	6,136	.1
Gasoline, other	103	(2)		
Tires and tread rubber	97	(2)		
Trucks, buses, and trailers	67	(2)		
Floor stock taxes	−1	(2)		
Lubricating oils not used in highway motor vehicles [1]	319,945	.3	25,390	.3
Light-duty trucks	174,821	.1		
Fuel—taxicabs	5,152	(2)	745	(2)
Other [3]	3,118	(2)	3,118	(2)
Total refunds of taxes	3,335,037	2.7	152,453	2.1
Net taxes	116,842,465	94.5	6,304,926	84.8
Interest on investments	6,813,478	5.5	1,127,240	15.1
Miscellaneous interest	6,442	(2)	1,579	(2)
Advances from general fund	489,000	.4		
Repayment of advances from general fund	−489,000	−.4		
Reimbursement from general fund	15,098	(2)		
Total receipts	123,677,483	100.0	7,433,745	100.0

TABLE 2.—STATUS OF HIGHWAY TRUST FUND, SEPTEMBER 30, 1981—Continued

[Dollars in thousands]

Description	Cumulative through Sept. 30, 1981		Fiscal year 1981	
	Amount	Percent of total	Amount	Percent of total
OUTLAYS				
Highway program:				
Federal-Aid Highway Act of 1956	111,040,599	97.1	8,821,554	96.2
Right-of-way revolving fund	194,564	.2	7,425	.1
Trust fund share of other highway programs	204,399	.2	43,900	.5
Trust fund share of traffic safety program	1,287,345	1.1	221,754	2.4
Reimbursement to general fund	501,019	.4		
Forest highways	10,000	(2)		
Pentagon road network	2,245	(2)		
Public lands highways	5,000	(2)		
Overseas highways	84,409	(2)	30,802	.3
Highland Scenic Highway	15,000	(2)	35	(2)
Highland Scenic Highway study	719	(2)	250	(2)
Acceleration of projects	23,407	(2)	547	(2)
Highway safety construction	870,000	.8		
Baltimore-Washington Parkway	2,370	(2)	629	(2)
Highway safety research and development	47,476	(2)	9,173	.1
Highway-related safety grants	97,322	(2)	29,735	.3
Traffic control demonstration projects	10,000	(2)		
Traffic control signal demonstration projects	13,520	(2)	6,359	.1
Intermodal urban demonstration project	450	(2)	184	(2)
Carpools and vanpools grants	1,107	(2)	980	(2)
Bicycle program	433	(2)	433	(2)
National Park Service construction	1	(2)	1	(2)
Administration and enforcement of labor standards	368	(2)		
Interest on advances from general fund	6,288	(2)		
Total outlays	114,418,040	100.0	9,173,762	100.0

TABLE 2.—STATUS OF HIGHWAY TRUST FUND, SEPTEMBER 30, 1981—Continued

[Dollars in thousands]

Description	Cumulative through Sept. 30, 1981		Fiscal year 1981	
	Amount	Percent of total	Amount	Percent of total
FUND ASSETS				
Investments (Government account series), Treasury certificates of indebtedness:				
11⅝ percent, maturing June 30, 1982	7,540,017		7,540,017	
11⅞ percent, maturing June 30, 1982	547,700		547,700	
11¾ percent, maturing June 30, 1982	577,000		577,000	
12⅛ percent, maturing June 30, 1982	521,011		521,011	
Undisbursed balance	73,715		73,715	
Total assets	9,259,443		9,259,443	

[1] Includes income tax credits. Tax credits are charged to the fund on the basis of estimates and later adjusted to actual.

[2] Less than 0.05 of 1 percent.

[3] Commercial fishing vessels and gasohol.

Note.—Columns may not add due to rounding.

Source: Twenty-sixth Annual Report on the Highway Trust Fund, Department of the Treasury, May 27, 1982.

TABLE 3.—STATUS OF HIGHWAY TRUST FUND, ACTUAL FISCAL YEARS 1957–81

[In millions of dollars]

Fiscal year	Total receipts	Outlays—Authorizations, fiscal years 1957–81			Balance in the fund	Liability for—	
		Interstate	All other	Total		Unpaid obligations	Unpaid authorizations [1]
Actual:							
1957........	1,482	211	755	966	516	2,421	4,702
1958........	2,044	673	838	1,511	1,049	3,855	6,769
1959........	2,087	1,501	1,112	2,613	523	4,751	7,562
1960........	2,536	1,861	1,079	2,940	119	4,421	7,300
1961........	2,799	1,719	900	2,619	299	4,989	7,764
1962........	2,956	1,914	870	2,784	471	5,239	8,309
1963........	3,293	2,109	908	3,017	747	6,149	8,866
1964........	3,539	2,635	1,010	3,645	641	6,669	8,978
1965........	3,670	3,016	1,010	4,026	285	6,665	8,775
1966........	3,924	2,978	987	3,965	244	6,748	8,856
1967........	4,455	2,976	998	3,974	725	6,556	9,332
1968........	4,428	3,207	964	4,171	982	6,617	10,011
1969........	4,690	3,149	1,002	4,151	1,521	7,124	11,435
1970........	5,469	3,289	1,089	4,378	2,612	7,535	12,710
1971........	5,725	3,456	1,229	4,685	3,652	7,512	13,950
1972........	5,528	3,468	1,222	4,690	4,490	7,918	15,273
1973........	5,912	3,395	1,416	4,811	5,591	7,380	10,462
1974........	6,675	3,017	1,582	4,599	7,667	8,106	17,783
1975........	6,774	2,902	1,942	4,844	9,597	11,173	19,671
1976........	6,000	3,429	3,091	6,520	9,077	9,361	NA
TQ............	1,690	854	904	1,758	9,009	9,299	16,098
1977........	7,302	2,979	3,168	6,147	10,164	10,362	17,026
1978........	7,567	2,846	3,212	6,058	11,673	11,749	18,035
1979........	8,046	3,449	3,706	7,155	12,564	13,556	19,000
1980........	7,647	4,334	4,878	9,212	10,999	12,768	18,876
1981........	7,434	4,111	5,063	9,174	9,259	12,893	18,914

[1] Fiscal 1977 and prior years noninterstate authorizations and all fiscal year authorizations for interstate construction and resurfacing are available for obligation in advance of the fiscal year for which authorized. Fiscal 1978 and subsequent noninterstate authorizations become available on October 1 of the fiscal year for which authorized.

Note: The 26th Annual Report corrected errors in the historical figures for unpaid authorizations for the period 1971–1980.

Source: Twenty-sixth Annual Report on the Highway Trust Fund, Department of the Treasury, May 27, 1982.

Section 4. Inland Waterways Trust Fund

LEGISLATIVE HISTORY

The Inland Waterways Trust Fund was established in Title II of Public Law 95–502, the Inland Waterways Revenue Act of 1978, enacted on October 21, 1978. The purpose of the Act is to provide funding for making construction and rehabilitation expenditures for navigation on specified inland and intracoastal waterways.

FINANCING MECHANISM

The 1978 Act imposed an excise tax (section 4042 of the Internal Revenue Code) effective October 1, 1980, on fuel used by vessels in commercial waterway transportation on those 26 inland and intracoastal waterways specified in section 206 of the Act. These waterways include the Mississippi River upstream from Baton Rouge, the Mississippi's tributaries, and the Gulf and Atlantic Intracoastal Waterways.

The tax rate was established at 4 cents per gallon for October 1, 1980, through September 30, 1981, with scheduled increases of 2 cents per gallon on October 1, 1981 (to 6 cents), October 1, 1983 (to 8 cents), and October 1, 1985 (to 10 cents). The tax does not apply to deep-draft ocean-going vessels, passenger or fishing vessels, or certain barges. The revenues from this tax are deposited into the Trust Fund.

EXPENDITURE PURPOSES

Amounts in the Trust Fund are available as provided in appropriations acts, for construction and rehabilitation expenditures for navigation on the specified inland and intracoastal waterways.

MISCELLANEOUS

The 1978 Act required an extensive study of inland waterways user taxes and charges by the Secretary of Transportation and the Secretary of Commerce, in consultation with a number of other agencies. Section 205 of the Act specified the issues to be considered in the study. These issues included: the extent to which the Federal Government should seek to recover its expenditures from users; the various forms of taxes or charges, methods for collecting, and coverage of users and waterways; the economic effects on carriers and users, regions, businesses, competitors, prices and so forth; the proper measurement of benefits to be assigned to users; the effects on development of the waterways. This study, which was to be submitted to Congress no later than September 30, 1981, along with the findings and recommendations of the Secretary of Transportation and various other agencies, was received in February 1982.

The Secretary of the Treasury is also required to submit an annual report to the Congress on the financial condition of the Trust Fund, beginning September 30, 1981. This annual report has not been received by the Congress.

The House Committee on Public Works and Transportation has jurisdiction over inland waterway authorizations.

The statutory provisions establishing the Inland Waterways Trust Fund and governing its operations are located at 33 U.S.C. 1801.

FINANCIAL STATUS OF THE TRUST FUND

The Budget for the United States for fiscal year 1984 shows receipts to the Inland Waterway Trust Fund of $21.6 million in fiscal year 1981, $34.1 million in fiscal year 1982, and an estimated $44.8 million in fiscal year 1983. There have been no appropriations from the Trust Fund and none are contemplated for fiscal years 1983 and 1984.

Section 5. Land and Water Conservation Fund

Legislative History

On September 3, 1964, the Congress enacted Public Law 88-578, which established the Land and Water Conservation Fund as a separate account in the Treasury, effective January 1, 1965. Minor amendments were made to the Fund in 1965 (Public Law 89-72).

In 1968, Public Law 90-401 eliminated the system of user fees for all Federal recreation areas that had been included previously in the law. The repeal was effective December 31, 1971.[1] The 1968 Act also added authorization for additional appropriations of such amounts as were necessary to make the income of the Fund not less than $200 million for each of the five fiscal years beginning July 1, 1968, and ending June 30, 1973. To the extent that appropriated sums were insufficient to reach the required amounts, an amount sufficient to cover the remainder was to be credited to the Fund from revenues due and payable to the United States for deposit in the Treasury as miscellaneous receipts under the Outer Continental Shelf Lands Act.

In 1970, Public Law 91-485 increased the authorized appropriations to not less than $300 million for fiscal years 1971 through June 30, 1989. As a result of amendments in 1976 and 1977, the amount for fiscal year 1978 was increased to $900 million (Public Law 94-422, Public Law 94-273 and Public Law 95-42).

In 1981, Public Law 96-451 provided for the transfer from the Land and Water Conservation Fund of an amount not to exceed $20 million per year for fiscal years 1981-1983 of revenues from motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. The Highway Revenue Act of 1982 (Title V of the Surface Transportation Assistance Act of 1982, Public Law 97-424) increased this limitation on transfers of motorboat fuels taxes to the Boating Fund to $45 million through September 30, 1988. (See section 6 for discussion of the Boating Fund.) In 1981, Public Law 96-514 provided that revenues from recreation fee collections should be deposited into the Land and Water Conservation Fund.

Financing Mechanism

16 U.S.C. 460*l*-5 provides that the following amounts will be deposited in the Land and Water Conservation Fund:

(1) All proceeds (except that committed under 40 U.S.C. 485 (b) and (c) or the Independent Offices Appropriation Act, 1963, or in any later appropriation act) received from any disposal of

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[1] A limited system of fees was later reinstated, and for several years these revenues generally were to be covered into a special account in the Treasury to be administered in conjunction with, but separately from, the Land and Water Conservation Fund.

surplus real property and related personal property under the Federal Property and Administrative Services Act of 1949, as amended, notwithstanding any provision of law that such proceeds shall be credited to miscellaneous receipts of the Treasury;

(2) Generally, the amounts equivalent to the 9 cents per gallon tax on gasoline and special fuels used as fuel in motorboats (amounts specified in section 9503(c)(4)(B) of the Internal Revenue Code of 1954); [2]

(3) In addition, there are authorized to be appropriated annually to the Fund such amounts as necessary to make the income of the Fund not less than $300 million for fiscal year 1977, and $900 million for fiscal year 1978 and for each fiscal year thereafter through September 30, 1989.

(4) To the extent that the appropriated sums are not sufficient to make the total annual income of the Fund equivalent to the amounts enumerated above, an amount sufficient to cover the remainder shall be credited to the Fund from revenues due and payable as miscellaneous receipts under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 *et seq.*).

EXPENDITURE PURPOSES

16 U.S.C. 460*l*–4 provides that the land and water conservation provisions of section 460 are "to assist in preserving, developing, and assuring accessibility to all citizens of the United States of America of present and future generations and visitors who are lawfully present within the boundaries of the United States of America such quality and quantity of outdoor recreation resources as may be available and are necessary and desirable for individual active participation in such recreation and to strengthen the health and vitality of the citizens of the United States by (1) providing funds for and authorizing Federal assistance to the States in planning, acquisition, and development of needed land and water areas and facilities and (2) providing funds for the Federal acquisition and development of certain lands and other areas."

Moneys in the Fund are available for expenditures as provided in appropriation acts. Not less than 40 percent of annual appropriations are to be used for Federal purposes; these include activities and programs of the Bureau of Land Management, the Forest Service, the Fish and Wildlife Service and the National Park Service. The remainder of funds appropriated are for state purposes, and these funds are apportioned among the states on the basis of statutory formula and criteria.

MISCELLANEOUS

Jurisdiction over all the land and water conservation programs is within the Committee on Interior and Insular Affairs.

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[2] However, Public Law 96-451 provides for the transfer from the Land and Water Conservation Fund of up to $20 million per year for fiscal years 1981-1983 of motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. Public Law 97-424 increased this amount to $45 million per year through fiscal year 1988.

No annual report is required on the Fund's financial condition or operations.

The statutory provisions establishing the Land and Water Conservation Fund and governing its operation are located at 16 U.S.C. 460(l).

FINANCIAL STATUS OF FUND

The following table contains data on the Fund's receipts for fiscal years 1982 (actual), 1983, and 1984, as well as the Fund's balance at the end of the fiscal years.

TABLE 1.—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1982 actual	1983 est.	1984 est.
Unappropriated balance, start of year	1,117,567	1,837,640	2,510,747
Collections (offsetting receipts):			
Land and Water Conservation Fund Act:			
Recreation fees	23,598	26,495	26,495
Proposed legislation			−26,495
Surplus property sales	26,188	400,993	577,981
Proposed legislation		−400,993	−577,981
Motorboat fuels tax	30,300	9,000	49,000
Outer Continental Shelf Lands Act	819,914	463,512	246,524
Proposed legislation		400,993	604,476
Total available for appropriation	2,017,567	2,737,640	3,410,747
Appropriation	−179,927	−226,893	−128,871
Unappropriated balance, end of year	1,837,640	2,510,747	3,281,876
Special account (Public Law 95-42, section 1):			
Unappropriated balance, start of year	142,621	142,621	142,621
Total available for appropriation	142,621	142,621	142,621
Appropriation			
Unappropriated balance, end of year	142,621	142,621	142,621

Source: U.S. Budget Appendix, Fiscal Year 1984.

Appropriations bills for fiscal years 1980 and 1981 allocated $300 million and $174 million, respectively, to the States with the remainder allocated among the four Federal agencies noted above. For fiscal year 1982, the total appropriation from the Fund dropped to $149 million, and none of this funding was allocated to the States.

Section 6. National Recreational Boating Safety and Facilities Improvement Fund ("Biaggi" Fund)

LEGISLATIVE HISTORY

1980 Act

The National Recreational Boating Safety and Facilities Improvement Fund was enacted on October 14, 1980 (Public Law 96-451). Before this time, all funds attributable to the excise taxes on motorboat use of gasoline and other motor fuels were transferred periodically from the Highway Trust Fund into the Land and Water Conservation Fund. The 1980 Act provided financing for the Boating Fund for fiscal years 1981 through 1983.

1982 Act

The Highway Revenue Act of 1982 (Title V of the Surface Transportation Assistance Act of 1982; Public Law 97-424) extended the Boating Fund through fiscal year 1988, and increased the amounts to be transferred into the Fund. (See below.)

FINANCING MECHANISM

The Secretary of the Treasury is authorized to pay into the Boating Fund certain amounts attributable to the motorboat fuels taxes received on or after October 1, 1980, and before October 1, 1988. Before enactment of the Highway Revenue Act of 1982, the aggregate amount transferred to the Boating Fund during each fiscal year 1981-1983 (the length of the Fund under prior law) could not exceed $20 million. Also, no amount could be transferred if such transfer would result in increasing the amount in the Fund to a sum in excess of $20 million.

The Highway Revenue Act of 1982 increased to $45 million the limitation on fiscal year amounts which may be transferred into the Boating Fund and the maximum amount to be held by the Fund. The 1982 Act also extended the Fund through September 30, 1988. Any excess of motorboat fuels tax receipts will continue to be transferred into the Land and Water Conservation Fund (through September 30, 1988).

Fuels taxes are imposed under Internal Revenue Code sections 4041(b) and 4081. Generally, the taxes are 4 cents per gallon on gasoline and special motor fuels through March 31, 1983, when they will be increased to 9 cents per gallon under the 1982 Act. The taxes remain 9 cents per gallon through September 30, 1988, after which they expire.

EXPENDITURE PURPOSES

Before enactment of the Surface Transportation Assistance Act of 1982, amounts in the Boating Fund were available as provided in appropriation acts, for making expenditures after September 30, 1980, and before April 1, 1984, as provided in section 26 of the Federal Boat Safety Act of 1971 (46 U.S.C. 1476). The 1982 Act amended Public Law 96-451 to provide the Secretary of Transportation authority to contract with the States to implement and administer the national recreational boating safety and facilities improvement program. Under the 1982 Act, approval of specific elements of a State program is deemed a contractual obligation of the United States. Under section 26 of the Federal Boat Safety Act, the Secretary of Transportation may allocate and distribute amounts from the Fund to any State that has State recreational boating safety and facilities improvement program if that program meets certain standards and the State provides matching funds.

One-third of the funds available for allocation and distribution is to be allocated for recreational boating safety programs and two-thirds is to be allocated for recreational boating facilities improvement programs, beginning with fiscal year 1983.

Available Boating Fund amounts are allocated and distributed to the States under the recreational boating safety programs and the facility improvement programs as follows: ⅓ allocated equally among eligible States, ⅓ allocated among eligible States who maintain an approved State vessel numbering system according to number of vessels, and ⅓ allocated to eligible States according to the amount of State funds expended or obligated for State boating safety programs or boating facility improvement programs.

Under the 1980 Act, the Secretary of the Treasury, after consultation with the Secretary of Transportation (Department in which the Coast Guard is operating), is required to conduct a study to determine the portion of the taxes imposed by Internal Revenue Code sections 4041(b) and 4081 which is attributable to fuel used in recreational motorboats. The Secretary was to report the findings to the Congress no later than October 14, 1982. (However, the report had not been submitted before publication deadlines for this document.)

MISCELLANEOUS

Jurisdiction over expenditures from the Boating Fund is in the Committee on Merchant Marine and Fisheries.

The statutory language establishing the National Recreational Boating Safety and Facilities Improvement Fund and governing its operation are located at 46 U.S.C. 1479.

FINANCIAL STATUS OF FUND

The following table contains data on the Fund's receipts for fiscal years 1982 (actual), 1983, and 1984, as well as the Fund's balance at the end of the fiscal years.

TABLE 1.—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1982 actual	1983 (estimate)	1984 (estimate)
Unappropriated balance, start of year	20,000	20,000	45,000
Collections (receipts): Recreational Boating Safety and Facilities Act of 1980 as amended: Motorboat fuels tax		30,000	15,000
Total available for appropriation	20,000	50,000	60,000
Appropriation			−5,000
Appropriation (proposed supplemental)		−5,000	
Unappropriated balance, end of year	20,000	45,000	45,000
Status of unfunded contract authority:			
Unfunded balance, start of year			40,000
Contract authority		45,000	45,000
Appropriation to liquidate contract authority		−5,000	−15,000
Unfunded balance, end of year		40,000	70,000

Source: U.S. Budget Appendix, Fiscal Year 1984.

Section 7. Fish Restoration and Management Projects ("Dingell-Johnson" Fund)

LEGISLATIVE HISTORY

The Act of August 9, 1950 (commonly referred to as the Dingell-Johnson Act), provided for cooperation between the Federal Government and State fish and game departments. Although the Act did not establish a true trust fund, appropriations are linked to specific tax revenues. Limits are placed on State expenditures of federally-appropriated funds until the State has passed laws governing the conservation of fish and the State meets other requirements.

FINANCING MECHANISM

To carry out fish restoration and management projects, there is authorized to be appropriated an amount equal to the revenue accruing from the tax imposed by Internal Revenue Code section 4161 on fishing rods, creels, reels, and artificial lures, baits, and flies. Section 4161 imposes an excise tax of 10 percent of the price for which these items are sold at the manufacturers level. The appropriation for any fiscal year continues to be available for the succeeding fiscal year. If the amount apportioned to any State is unexpended or unobligated at the end of the period for which it is available, this amount is then authorized to be made available for expenditure by the Secretary of the Interior on the research program of the Fish and Wildlife Service.

EXPENDITURE PURPOSES

Any State which wishes to receive any of these appropriations must submit to the Secretary of the Interior a program or project for fish restoration. The State can choose to prepare and submit a comprehensive fish and wildlife resource management plan which would last at least 5 years. In the alternative, the State may have its State fish and wildlife department submit full and detailed statements of any fish restoration and management projects proposed for that State. If the Secretary of the Interior finds that either State plan meets the standards set by him and approves the project, up to 75 percent of the total cost can be funded through these appropriations.

Up to 8 percent of each annual appropriation is available to the Secretary of the Interior for his expenses in the conduct of necessary investigations, administration, and the execution of these provisions and for aiding in the formulation, adoption, or administration of any compact between two or more States for the conservation and management of migratory fishes in marine or fresh waters.

The remainder of the appropriation is required to be apportioned as follows:

1. 40 percent in the ratio which the area of each State, including coastal and Great Lakes waters, bears to the total area of all the States.
2. 60 percent in the ratio which the number of persons holding licenses to fish for sport or recreation in the State in the second fiscal year preceding the fiscal year for which the apportionment is made bears to the number of such persons in all the States.

No State is to receive less than 1 percent nor more than 5 percent of the total amount apportioned. Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands can also be appropriated limited amounts of these revenues.

MISCELLANEOUS

Statutory language providing the permanent authorization and related matters is located at 16 U.S.C. 777 and following.

The Comittee on Merchant Marine and Fisheries has jurisdiction over expenditures for fish restoration and management projects.

Section 8. Wildlife Restoration Projects ("Pittman-Robertson" Fund)

LEGISLATIVE HISTORY

The Act of September 2, 1937, provided for cooperation between the Federal Government and the States regarding wildlife restoration projects. The 1939 Reorganization Plan No. II, section 4(f), transferred the functions of the Secretary of Agriculture relating to the conservation of wildlife game and migratory birds to the Secretary of the Interior.

The 1937 Act provided that amounts equivalent to excise taxes on sporting arms and ammunition would be deposited into the Federal Aid to Wildlife Restoration Fund.

The Federal Aid in Wildlife Restoration Act Amendments of 1970 (Title I of Public Law 91-503), added provisions for the deposit of the amounts equivalent to excise taxes on pistols and revolvers into the Fund beginning in fiscal year 1971. Public Law 92-558 added provisions for the deposit of amounts equivalent to the excise taxes on bows and arrows and their parts and accessories into the Fund beginning with fiscal year 1975.

FINANCING MECHANISM

To carry out wildlife restoration projects, there is authorized to be appropriated an amount equal to all revenues accruing from any tax imposed by Internal Revenue Code section 4161(b) on bows, arrows, and parts and accessories and section 4181 on pistols, revolvers, other firearms, shells, and cartridges. Section 4161 imposes an excise tax of 11 percent of the price for which bows with a draw weight of 10 pounds or more; arrows that measure 18 inches overall or more in length; and parts, accessories, or quivers suitable for use with taxable bows are sold by a manufacturer, producer, or importer. Section 4181 imposes a similar tax of 10 percent upon the sale of pistols and revolvers and 11 percent on other firearms, shells, and cartridges. Section 4182 provides exemptions for certain machine guns and short barrelled firearms (on which a transfer tax has been paid under section 5811) and sales to the Defense Department.

EXPENDITURE PURPOSES

Any State which wishes to receive any of these appropriations must assent to the provisions of Chapter 5B of U.S. Code Title 16 and enact laws for the conservation of wildlife including a prohibition against the diversion of license fees paid by hunters for any purpose other than the administration of the State fish and game department. The Secretary of the Interior and the State fish and game department must agree upon the wildlife restoration projects to be aided in the State. The project must conform to the standards fixed by the Secretary of the Interior.

A wildlife restoration project is defined to include the selection, restoration, rehabilitation, and improvement of areas of land or water adaptable as feeding, resting, or breeding places for wildlife, including acquisition by purchase, condemnation, lease or gift of such areas or estates or interests therein as are suitable or capable of being made suitable therefor, and the construction thereon or therein of such works as may be necessary to make them available for such purposes. The term includes also such research into problems of wildlife management as may be necessary to efficient administration affecting wildlife resources.

The authorized revenues are made available until expended. Amounts not spent by a State within two fiscal years are made available for expenditure by the Secretary of the Interior to carry out the provisions of the Migratory Bird Conservation Act (16 U.S.C. 715).

Up to 8 percent of the available funds are required to be apportioned as the Secretary of the Interior estimates necessary to administer the Migratory Bird Conservation Act. The remainder of the revenue (except as provided in the following paragraph) is apportioned among the States in the following manner: one-half in the ratio which the area of each State bears to the total area of all the States, and one-half in the ratio which the number of paid hunting-license holders of each State (2 years earlier) bears to the total number of paid license holders of all the States. No State is to receive less than one-half of 1 percent or more than 5 percent of the total amount apportioned.

One-half of the revenues from the tax imposed on pistols, revolvers, bows, and arrows is to be apportioned among the States in proportion to the ratio that the population of each State bears to the population of all the States. Each State is to be apportioned between 1 and 3 percent of the revenue under this population apportionment.

Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands can also be appropriated limited amounts of these revenues.

MISCELLANEOUS

Statutory language providing the permanent authorization and related matters is located at 16 U.S.C. 669 and following.

The Committee on Merchant Marine and Fisheries has jurisdiction over expenditures for wildlife restoration projects.

Section 9. Reforestation Trust Fund

LEGISLATIVE HISTORY

In 1980, the Congress enacted Title III of Public Law 96-451 which provided for the amortization of certain reforestation expenses and established the Reforestation Trust Fund.

In 1982, provisions were enacted as part of the Surface Transportation Assistance Act of 1982 (H.R. 6211, P.L. 97-424) directing the Secretary of Agriculture to expend all amounts in the Trust Fund during fiscal years 1983, 1984, and 1985, and directing that the Secretary spend not less than $104 million in fiscal year 1983. Amounts remaining in the Trust Fund as of October 1, 1985, are to be distributed to the States for use in State forestry programs no later than April 30, 1986.

FINANCING MECHANISM

Funds for the Reforestation Trust Fund are derived from import duties on plywood and lumber. The Secretary of the Treasury is required to transfer receipts from these tariffs to the Trust Fund in maximum amounts of $30 million for each fiscal year during the six-year period from October 1, 1979, through September 30, 1985. Under the 1982 amendments, amounts available in the Fund on October 1, 1985, are to be distributed to the States, as noted above.

EXPENDITURE PURPOSES

Funds are to be used to supplement con[illegible] appropriations for reforestation and timber stock impro[illegible] publicly owned national forests, in order to eliminate an pre[illegible] backlog in reforestation of the National Forest system.

For each of the five fiscal years from fis[illegible]31 through fiscal year 1985, appropriations have been [illegible]ed from the Trust Fund to the Secretary of Agriculture to pay estimated necessary direct costs and properly allocable administrative costs for reforestation and related programs (under section 3(d)(2)) of the Forest Rangeland Resources Planning Act of 1974 (16 U.S.C. 1601(d)(2)), but only to the extent these estimated costs exceed amounts appropriated out of the general fund for these purposes.

MISCELLANEOUS

After consulting with the Secretary of Agriculture, the Secretary of the Treasury must submit annual reports to the Congress setting forth the financial condition and operating results of the Reforestation Trust Fund for the preceding fiscal year and the expected condition and results of the Trust Fund for the next year.

The statutory language establishing the Reforestation Trust Fund and governing its operations are located at 16 U.S.C. 1606(a).

FINANCIAL STATUS OF FUND

Thirty million dollars was transferred to the Trust Fund in fiscal years 1980 and 1981 and in fiscal year 1982 $37.8 million was transferred to the Fund. The Trust Fund presently has a balance of $106.4 million. No funds have been expended from the Trust Fund; however, appropriations of $140 million are estimated for fiscal year 1983 which includes an estimated $34 million to be transferred to the Fund in fiscal year 1983.

Section 10. Superfunds

(A) Hazardous Substance Response Trust Fund

LEGISLATIVE HISTORY

The Hazardous Substance Response Trust Fund was enacted in Title II, Subtitle B, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 on December 11, 1980 (Public Law 96-510).

FINANCING MECHANISM

The 1980 Act appropriates, out of any money in the Treasury not otherwise appropriated, to the Response Trust Fund amounts determined by the Secretary of the Treasury to be equivalent to the excise taxes received in the Treasury under Internal Revenue Code sections 4611 and 4661, the amounts recovered on behalf of the Response Trust Fund under the Act, all moneys recovered or collected under section 311(b)(6)(B) of the Clean Water Act, penalties assessed under Title I of the 1980 Act, and punitive damages under section 107(c)(8) of the 1980 Act.

Internal Revenue Code section 4611 imposes a tax of 0.79 cent a barrel on crude oil used in, exported from, or imported into the United States. The tax does not apply to any use of crude oil for extracting oil or natural gas on the premises where the crude oil was produced. Internal Revenue Code section 4661 imposes a tax on any taxable chemical sold by a manufacturer, producer, or importer. The tax rate is determined in accordance with Table 1:

TABLE 1.—TAX RATES ON CHEMICALS

Chemical	Tax per ton
Acetylene	$4.87
Benzene	4.87
Butane	4.87
Butylene	4.87
Butadiene	4.87
Ethylene	4.87
Methane	3.44
Naphthalene	4.87
Propylene	4.87
Toluene	4.87
Xylene	4.87
Ammonia	2.64
Antimony	4.45
Antimony trioxide	3.75
Arsenic	4.45
Arsenic trioxide	3.41
Barium sulfide	2.30
Bromine	4.45
Cadmium	4.45
Chlorine	2.70
Chromium	4.45
Chromite	1.52
Potassium dichromate	1.69
Sodium dichromate	1.87
Cobalt	4.45
Cupric sulfate	1.87
Cupric oxide	3.59
Cuprous oxide	3.97
Hydrochloric acid	.29
Hydrogen fluoride	4.23
Lead oxide	4.14
Mercury	4.45
Nickel	4.45
Phosphorus	4.45
Stannous chloride	2.85
Stannic chloride	2.12
Zinc chloride	2.22
Zinc sulfate	1.90
Potassium hydroxide	.22
Sodium hydroxide	.28
Sulfuric acid	.26
Nitric acid	.24

These taxes apply from April 1, 1981, through September 30, 1985. However, if on September 30, 1983, or September 30, 1984, the unobligated balance in the Hazardous Substance Response Trust Fund as of that date exceeds $900 million and the Secretary of the Treasury (after consultation with the Administrator of the

Environmental Protection Agency) determines that the unobligated balance will exceed $500 million on September 30 of the following year if no more excise taxes are collected under Internal Revenue section 4611 or 4661 during the following calendar year, then no tax shall be imposed during the following year. Further, the authority to collect these taxes will terminate when cumulative receipts reach $1.38 billion.

The Act authorizes to be appropriated to the Response Trust Fund, $44 million in each fiscal year from 1981 through 1985. The Act also authorizes an appropriation in 1985 of an amount equal to so much of the aggregate amount authorized and not appropriated in the earlier fiscal years.

The Act provides for the transfer to the Response Trust Fund of one-half of the unobligated balance remaining on December 10, 1980, under the Fund in section 311 of the Clean Water Act and the amounts appropriated under section 504(b) of the Clean Water Act during any fiscal year.

The Act also authorizes to be appropriated to the Response Trust Fund, as repayable advances, such sums as may be necessary to carry out the purposes of the Fund. Advances are not to exceed amounts which the Secretary of the Treasury estimates will be received by the Fund in the following 12 months. No advance is to be made after September 30, 1985, and all previous advances are to be repaid before that time.

EXPENDITURE PURPOSES

The Act establishes a comprehensive system of notification, emergency response, enforcement, and liability for hazardous substance spills and uncontrolled hazardous waste dumpsites. The program is designed to provide a broad based cleanup effort.

Amounts in the Response Trust Fund are available in connection with releases or threats of releases of hazardous substances into the environment only for purposes of making expenditures which are described in the Act as in effect on December 11, 1980, including response costs; claims asserted and compensable but unsatisfied under section 311 of the Clean Water Act; claims for injury to, or destruction or loss of, natural resources; and related costs described in the Act.

At least 85 percent of the amounts appropriated to the Response Trust Fund equivalent to the taxes under Internal Revenue Code section 4611 or 4661 (and through the additional authorized amounts for each fiscal year) are to be reserved for payment of governmental response costs pursuant to the Act, including costs incurred pursuant to the Intervention on the High Seas Act, payment of any claim for necessary response costs incurred by any other person as a result of carrying out the national contingency plan established under the Clean Water Act as amended by the 1980 Act and approved under the plan and certified by the responsible Federal official, payment of costs specified under Act section 111(c), and for the repayment of certain advances made under the Act.

MISCELLANEOUS

The statutory language establishing the Hazardous Substance Response Trust Fund and governing its operation are located at 42 U.S.C. 9631 et seq.

FINANCIAL STATUS OF FUND

TABLE 2.—HAZARDOUS SUBSTANCE RESPONSE TRUST FUND—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1982 actual	1983 est.	1984 est.
Unappropriated balance, start of year	78,293	229,050	371,050
Receipts:			
Interest	67,854	47,000	55,000
Fines, and recoveries	2,309	9,000	24,000
Transfers from the general fund, amounts equivalent to taxes	243,994	256,000	273,000
Appropriations from the general fund	26,000	40,000	44,000
Total available for appropriation	419,050	581,050	767,050
Appropriations	−190,000	−210,000	−310,000
Unappropriated balance, end of year	229,050	371,050	457,050

Source: U.S. Budget Appendix, Fiscal Year 1984.

(B) Post-closure Liability Trust Fund

LEGISLATIVE HISTORY

The Post-closure Liability Trust Fund was enacted in Title II, Subtitle C, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 on December 11, 1980 (Public Law 96–510).

FINANCING MECHANISM

The Fund consists of "such amounts as may be appropriated, credited, or transferred to" the Trust Fund.

The Comprehensive Environmental Response, Compensation, and Liability Act imposed an excise tax on the receipt of hazardous waste at a qualified hazardous waste disposal facility. Under Internal Revenue Code section 4681, the tax imposed on the owner or operator of the qualified hazardous waste disposal facility is $2.13 per dry weight ton of hazardous waste. The tax applies to the receipt of hazardous waste after September 30, 1983, except that if, as of September 30 of any subsequent calendar year, the unobligated balance of the Post-closure Liability Trust Fund exceeds $200 million, no tax shall be imposed under section 4681 during the following year.

EXPENDITURE PURPOSES

Amounts in the Post-closure Liability Trust Fund are to be available only for the purposes described in the 1980 Act as in effect on December 11, 1980. Under the Act, the liability of the owner or operator of a hazardous waste disposal facility which has received a permit under subtitle C of the Solid Waste Disposal Act shall be transferred to the Fund when (1) the owner and operator of the facility has complied with the requirements under subtitle C of the Solid Waste Disposal Act and regulations thereunder which may affect the performance of such facility after closure, and (2) the facility has been closed in accordance with the regulations and the conditions of the permit, and the facility has been monitored as required by the regulations and permit for a period not to exceed 5 years after closure to demonstrate that there is no substantial likelihood that any migration offsite or release from confinement of any hazardous substance or other risk to public health or welfare will occur. The transfer of liability is to be effective 90 days after the owner or operator of the facility notifies the Administrator of the Environmental Protection Agency (and the State if it has an authorized program) that the required conditions have been satisfied. If all the requirements are not met or if insufficient information has been provided, the Administrator or State representative notifies the owner and operator who continues to be liable until the Administrator and State determine that the facility has complied with the liability transfer requirements under this Act. The Fund also may be used to pay the cost of monitoring and care and maintenance of a site incurred by other persons after the period of monitoring required by regulations under subtitle C of the Solid Waste Disposal Act for hazardous waste disposal facilities meeting the transfer conditions described above.

The Act also provides that the President is to use the money in the Post-closure Liability Fund for the following purposes (with respect to a hazardous waste disposal facility for which liability has been transferred to the Fund under the Act):

(1) payment of certain governmental response costs, including costs incurred pursuant to the Intervention on the High Seas Act;

(2) payment of any claim for necessary response costs incurred by any other person as a result of carrying out the national contingency plan established under the Clean Water Act and amended by the 1980 Act provided, however, that such costs must be approved under the plan and certified by the responsible Federal official;

(3) payment of any claim authorized under Act section 111(b) and finally decided pursuant to Act section 112 (claims procedure); and

(4) payment of costs specified under Act section 111(c) (list of types of costs covered).

MISCELLANEOUS

The statutory provisions establishing the Post-closure Liability Trust Fund and governing its operation are located at 42 U.S.C. 9641.

FINANCIAL STATUS OF FUND

TABLE 3.—POST-CLOSURE LIABILITY TRUST FUND—AMOUNTS AVAILABLE FOR APPROPRIATIONS

[In thousands of dollars]

	1982 actual	1983 est.	1984 est.
Unappropriated balance, start of year			
Receipts:			
Interest and profits on investments			1,700
Transfer from the general fund, amounts equivalent to taxes			32,000
Total, available for appropriation			33,700
Appropriation: Post-closure liability trust fund			
Unappropriated balance, end of year			33,700

Source: U.S. Budget Appendix, Fiscal Year 1984.

No appropriation request is being made for this Trust Fund in fiscal year 1984, as there will not be any hazardous waste sites eligible for liability coverage under this fund for several years.

Section 11. Deep Seabed Revenue Sharing Trust Fund

LEGISLATIVE HISTORY

The Deep Seabed Revenue Sharing Trust Fund was established in 1979 by Title IX of the Deep Seabed Hard Mineral Resources Act (Public Law 96-223). The purpose of the Trust Fund is to accelerate the program of environmental assessment of exploration for and commercial recovery of hard mineral resources of the deep seabed and assure that such exploration and recovery activities are conducted in a manner which will encourage the conservation of such resources, protect the quality of the environment, and promote the safety of life and property at sea. An additional purpose is to encourage continued development of deep seabed mining technology.

FINANCING MECHANISM

The Deep Seabed Revenue Sharing Trust Fund is funded by amounts determined by the Secretary of the Treasury to be equivalent to the amount of the excise taxes received in the Treasury under the Deep Seabed Hard Mineral Removal Tax Act of 1979. The excise tax, imposed under Internal Revenue Code section 4495, is 3.75 percent of the "imputed value" of hard mineral resources removed from the deep seabed.[1] The tax became effective on January 1, 1980, and terminates after the earlier of the date on which an international deep seabed treaty takes effect with respect to the United States or on June 29, 1990.

A mining company can elect to have the application of the excise tax suspended with respect to one or more commercially recoverable metals or minerals contained in the nodules removed from the deep seabed if the mining company does not intend to process, use commercially, or sell that metal or mineral within one year after the date of extraction. If a mining company elects to suspend the tax on a mineral and later processes, uses, or sells that mineral, then the mining company is liable for the excise tax and interest on the deferred amount. The interest is to be paid into the Trust Fund and will be treated like other amounts in the Trust Fund. If the additional tax is paid after substantial disposition of Trust Fund assets by Congress, the additional tax is to be disposed of in a manner provided in the legislation making the substantial disposition or in subsequent acts.

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[1] The "imputed value" is equal to 20 percent of the fair market value of the commercially recoverable metals and minerals in such resource. Thus, the effective tax rate is 0.75 percent of the fair market value of the resource.

EXPENDITURES PURPOSES

Appropriations have been authorized from the Trust Fund for making contributions which may be required pursuant to an international deep seabed treaty which may become effective with respect to the United States on or before June 28, 1990. Trust Fund amounts may be appropriated for making contributions required under such a treaty for the purpose of sharing the revenue from deep seabed mining among nations of the world.

In the event that an international deep seabed treaty does not become effective with respect to the United States on or before June 28, 1990, amounts in the Trust Fund will be available for such purposes as Congress may provide by law. Thus, if an international deep seabed treaty is not in effect with respect to the United States prior to June 29, 1990, amounts in the Trust Fund will be disposed of only in accordance with an act of Congress.

MISCELLANEOUS

The Secretary of the Treasury is required to submit an annual report to the Congress with respect to the Deep Seabed Revenue Sharing Trust Fund beginning with the fiscal year ending September 30, 1980.

The Statutory provisions establishing the Deep Seabed Revenue Sharing Trust Fund and governing its operation are located at 30 U.S.C. 1472.

FINANCIAL STATUS OF FUND

Since no treaty is yet in effect, there have been no appropriations from the Fund. No revenues are expected from the excise tax until the late 1980's. At that time it is estimated that the tax will raise a maximum of $5 million in annual net revenues (gross revenue less income tax lost because of deductibility of the tax).

Section 12. Tax Court Judges Survivors Annuity Fund

LEGISLATIVE HISTORY

The Tax Court Judges Survivors Annuity Fund was enacted in Public Law 87-370 on October 4, 1961. Amendments which increase the annuity amounts payable from the Fund were enacted in Public Law 97-362 (H.R.4717) on October 25, 1982. Internal Revenue Code section 7448 provides the statutory basis for the annuities to surviving spouses and dependent children of Tax Court judges.

FINANCING MECHANISM

Any judge of the United States Tax Court may by written election while a judge (or before a successor takes office) participate in the Fund. There is deducted and withheld from the salary of each judge electing to participate 3 percent of that judge's salary. The amounts deducted and withheld are deposited, in accordance with procedures prescribed by the Comptroller General of the United States, in the U.S. Treasury to the credit of the Tax Court Judges Survivors Annuity Fund. A judge may deposit, with interest at 4 percent per annum to December 31, 1947, and 3 percent per annum thereafter, compounded on December 31 of each year, to the credit of the Fund, a sum equal to 3 percent of the judge's salary and of that individual's basic salary, pay, or compensation for service as a Senator, Representative, Delegate, or Resident Commissioner in Congress, and for any other civilian service within the purview of 5 U.S.C. 8332. Each judge may elect to make the deposits in installments during continuance of service as a judge in such amount and under such conditions as may be determined in each instance by the chief judge of the Tax Court.

Notwithstanding the failure of a judge to make the deposit, credit is allowed for the service rendered, but the annuity of the surviving spouse of the judge is reduced by an amount equal to 10 percent of the amount of the deposit, computed as of the date of the death of the judge (unless the surviving spouse elects not to count the service, for which the deposit was not made, in determining the annuity due). No deposit is required from a judge for any year with respect to which deductions from salary were actually made under the civil service retirement laws. Also, no deposit is required for any honorable service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

EXPENDITURE PURPOSES

The Fund is used to pay annuities to a deceased judge's surviving spouse and children.

If a judge who elects to participate in the Fund dies after having rendered at least 5 years of civilian service for which salary was withheld for the Fund (or for which salary was withheld under the civil service retirement laws), a surviving spouse or surviving dependent child is entitled to an annuity from the Fund. If the surviving spouse has not attained age 50 at the date of the judge's death (and no dependent child survives), the annuity commences when the surviving spouse reaches age 50. The annuity payable to a surviving spouse terminates upon the surviving spouse's death or remarriage. An annuity payable to a dependent child and to a surviving spouse, if the judge is also survived by a dependent child, begins immediately after the judge's death. The annuity for a dependent child terminates generally upon the surviving child's reaching 18 years of age, marriage, or death. If the child is incapable of self support because of mental or physical disability, the annuity would terminate only upon death, marriage, or recovery from the disability.

The annuity payable to a surviving spouse of a judge electing under the Fund is equal to a stated percentage (generally 1¼ percent) of the average annual salary received by the judge (whether the judge's salary or compensation for other allowable Federal service) for the 5 consecutive years in which the judge received the largest average annual salary, multiplied by the sum of years of judicial or other allowable Federal service. The annuity for the surviving spouse cannot exceed 37½ percent of the average annual salary of the judge. The annuity of the surviving spouse will be reduced to account for periods of time when the judge did not contribute to the Fund. The amount of the annuity payable to a surviving dependent is based upon the annuity payable to a surviving spouse (subject to certain limits).

Under the 1982 amendments, annuities payable with respect to judges dying after the date of enactment are increased by (1) basing the annuity on the judges' salary for the 3 (versus 5) consecutive years in which the judges received the largest average annual salary, and (2) increasing the maximum annuity to 40 percent (versus 37½ percent) of such average annual salary. These amendments also provide that survivor annuities will be adjusted for cost-of-living increases by increasing such annuities by 3 percent for each 5 percent by which the salary of Tax Court judges is increased. Annuities in pay status on the date of enactment are adjusted immediately to reflect post-1963 salary increases.

MISCELLANEOUS

The statutory provisions governing this Fund are located at Internal Revenue Code section 7448.

FINANCIAL STATUS OF FUND

As of September 30, 1982, 17 judges of the Tax Court were participating in the Fund, and 5 eligible widows were receiving survivor annuities. The cost of these annuities was $69,000 in fiscal year 1980, $79,000 in 1981, $39,000 in 1982, and an estimated $76,000 in 1983.

Section 13. Railroad Retirement System

The railroad retirement system is a federally legislated program which provides retirement, disability and survivor annuities to workers whose employment was connected with the railroad industry for at least 10 years. The system, in existence since 1937, was substantially modified by the Railroad Retirement Act of 1974 (RRA), which provided for closer coordination with the social security system. Credits are primarily secured by employment in the railroad industry, although any social security credits earned during employees' work careers are included in the benefit computation. Benefits are financed through a combination of employee, employer, and Federal Government contributions to the railroad retirement account.

Retirement and survivor benefit payments during fiscal year 1982 totaled $5,718 million. These payments were made to 1,072,000 beneficiaries. Retired employee and spouse annuitants constituted 731,000 of these beneficiaries and received $3,974 million. Survivor beneficiaries received a total of $1,744 million, consisting of $1,733 million in monthly benefits and $11 million in lump-sum payments.

JURISDICTION

In the House of Representatives, the jurisdiction over the railroad retirement system is divided between two standing committees. Under the rules of the House, the Energy and Commerce Committee has jurisdiction over "railroads, including railroad labor, railroad retirement and unemployment, except revenue measures related thereto." That Committee therefore has jurisdiction over the Railroad Retirement Act, which contains the substantive legislation relating to railroad retirement legislation. The Committee on Ways and Means has jurisdiction over all revenue measures, including the Railroad Retirement Tax Act (Chapter 22 of the Internal Revenue Code of 1954). Within the Committee on Ways and Means jurisdiction over employment taxes and trust fund operations relating to the Railroad Retirement System lies within the Subcommittee on Social Security.

Numerous changes in both railroad retirement benefits and taxes were made in 1981 during the 1st session of the 97th Congress. Projections that the railroad retirement account would have an insufficient balance to issue full payments as early as the spring of 1982 prompted an agreement by representatives of railroad management and labor. This resulted in a series of changes designed to resolve the short- and long-term financial problems of the railroad retirement account. Benefit changes were subsequently enacted as part of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) and are within the jurisdiction of the Energy and Commerce Committee. Payroll tax increases were contained in the Economic

Recovery Tax Act of 1981 (Public Law 97-34) and are within the jurisdiction of the Committee on Ways and Means.

BENEFIT STRUCTURE

The 1974 Railroad Retirement Act established three benefit components. The ongoing benefit system was divided into two "tiers," one of which roughly approximates social security (tier I), and the other, an industry staff retirement benefit (tier II). The third component preserved certain benefits for employees who had qualified for both railroad retirement and social security benefits prior to the 1974 act. Railroad retirement benefits are not subject to income tax.

Tier I

These benefits are based on the social security formula, using both the employee's combined railroad earnings and non-railroad social security covered earnings up to the social security maximum wage base. The tier I benefit is roughly equal to what the social security benefit would have been had the worker's railroad employment been covered by the social security program. Because the railroad retirement tier I benefit is based on both social security and railroad employment, any social security benefit to which the railroad retirement system beneficiary is also entitled is subtracted from the tier I benefit amount. Tier I benefits are adjusted for the cost-of-living by the same percentage as social security benefits.

Tier II

Substantial changes in the method of calculation of the tier II benefit were contained in the Omnibus Budget Reconciliation Act of 1981. For new retirees, the benefits are equal to seven-tenths of one percent of the employee's average monthly earnings in the 60 months of highest earnings, times the total numbers of years of railroad service, less 25 percent of any employee dual benefit windfall amount also payable. The tier II benefits are automatically adjusted on July 1 at a rate equal to 32.5 percent of the social security automatic cost-of-living adjustment.

Dual benefit payments

One of the chief purposes of the Railroad Retirement Act of 1974 was to coordinate railroad retirement and social security benefit payments to eliminate certain dual benefits considered to be a "windfall" for persons receiving benefits under both systems.

This "windfall" was a result of the fact that the total benefit which these retirees received from both systems was higher than the benefit which they would have received if their benefit was based on their total career earnings but paid under only railroad retirement. The total benefit was higher in these cases since the social security benefit formula favors workers who have low average earnings throughout their careers. Low career average earnings result from a career of low wages from a relatively short career in social security covered employment. Workers who spend a period of time in employment not covered by social security, such as railroad employment, receive the benefit of this "tilt" in the benefit formula, even though they may very well not have had low career earnings.

As a result of the 1974 Act, "windfall" benefits were eliminated for any employees not qualified for such benefits as of January 1, 1975. They were generally preserved for those individuals who were vested under both the railroad retirement and social security systems before 1975. These "windfall" benefits are financed out of the general revenue fund through an annual appropriation rather than from the social security or railroad retirement trust funds.

The costs of these payments, which were intended to be funded solely out of U.S. general revenues, has proven to be substantially more than the amount which was estimated at the time the 1974 act was passed, and substantially more than the funds that have been appropriated annually. The following table details the amount estimated to be necessary to pay windfall benefits, the amount which has been requested and the amount actually appropriated. This resulted in an unanticipated expense to the railroad retirement account since the full windfall benefit paid from the retirement account was only partially offset through appropriated general revenue. (See "general revenue" below for further information.)

TABLE 1.—COMPARISON OF RAILROAD RETIREMENT BOARD ESTIMATES AND APPROPRIATIONS

[Dollar amounts in millions]

	Board estimates [1]	Requested appropriations	Actual appropriations
Fiscal year:			
1976	$250	$250	$250
1977	350	250	250
1978	356	250	250
1979	363	313	313
1980	363	313	313
1981	529	350	350
1982	440	350	380
1983	430	350	[2] 430
1984	420	350	....

[1] The amount shown in this column is railroad retirement's revised annual estimate of the amount needed each year, on a level basis, from the year of the estimate to the year 2000, to cover expected benefit costs.

[2] Amount appropriated under a resolution making continuing appropriations which expires September 30, 1983. (See "General revenue appropriations," below, for further details.)

Source: Railroad Retirement Board.

Supplemental annuities

These are provided under the 1974 Act equal to $23 for 25 years of service plus $4 for each additional year up to a maximum of $43 per month. Unlike tier I, II and windfall benefits, this annuity is subject to Federal income tax. However, as a result of the 1981 Omnibus Budget Reconciliation Act, employees hired after October 1, 1981 will not be eligible for supplemental annuities when they retire.

Lump sum death benefits

These benefits are paid when there is no person eligible for a monthly survivor benefit in the month in which the worker died. For employees vested (10 or more years service) before 1975, the amount is based on the 1937 Act. For all other railroad workers, the amount is equivalent to that which would be paid under the Social Security Act (unless survivor benefits are paid).

Table 2 provides data concerning all railroad retirement benefits currently being paid. Table 3 presents data on new awards for September 1981.

TABLE 2.—NUMBER AND AVERAGE AMOUNT OF RETIREMENT AND SURVIVOR ANNUITIES IN CURRENT-PAYMENT STATUS AT END OF YEAR FOR SELECTED YEARS BY TYPE OF ANNUITANT

Fiscal year	Total	Type of beneficiary								
		Retired employees			Spouses	Aged widows	Disabled widows	Widowed mothers	Children	Parents
		Age	Disability	Supplemental						
Number at end of year:										
1971	1,067,121	348,737	95,364	81,611	212,075	278,741	2,972	8,076	39,096	449
1975	1,160,312	359,826	101,677	141,525	219,644	290,502	5,108	7,061	34,670	299
1977	1,201,055	364,402	99,672	169,257	230,758	292,653	6,206	6,298	31,566	243
1979	1,204,719	358,629	96,818	182,736	233,611	292,073	6,770	5,406	28,478	198
1980	1,203,265	355,983	95,218	188,111	233,916	290,315	6,999	4,985	27,288	189
1981	1,202,587	354,605	93,746	193,436	233,977	288,606	7,249	4,478	26,094	(¹)
1982	1,196,892	352,602	92,153	198,231	233,240	286,747	7,443	4,018	22,301	158
Average amount:										
1971		$201	$186	$65	$95	$114	$115	$158	$112	$110
1975		329	309	62	153	233	200	234	206	187
1977		387	355	57	178	267	228	275	248	223
1979		461	419	54	210	314	265	336	300	273
1980		526	477	53	236	361	302	392	349	310
1981		579	525	52	251	401	331	442	393	(¹)
1982		640	576	51	280	428	352	475	399	368

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[1] Not available.

Note.—Data exclude survivor (option) annuities. On September 30, 1980, there were 259 option annuities in current-payment status averaging $98. Figures for widows include a small number of widowers.

Source: Railroad Retirement Board.

TABLE 3.—NUMBER AND AVERAGE AMOUNT OF NEW AWARDS BY BENEFICIARY TYPE, AUGUST 1982

	Number	Average award (monthly)
Employee annuities:		
Retired	2,127	$773
Disability (under age 65)	425	775
Supplemental	1,252	42
Spouse annuities	2,135	262
Survivor benefits:		
Aged widows and widowers	1,958	456
Disabled widows and widowers	52	311
Widowed mothers and fathers	77	410
Children	220	403
Insurance lump sums	1,221	819
Residual payments	62	5,681
Total	6,995	

Source: Railroad Retirement Board.

FINANCING THE RAILROAD RETIREMENT SYSTEM

The railroad retirement and survivors benefits are financed by five sources of income. These are (1) payroll taxes on *monthly* railroad earnings paid by covered employees and employers; (2) a cents-per-hour tax levied on carriers only; (3) income from the social security financial interchange; (4) appropriations from general revenues; and (5) interest on investments.

Payroll Taxes

The primary source of income to the railroad retirement account is payroll taxes levied on covered employers and their employees. Payroll taxes had been paid in equal shares by employers and employees from 1937 through September 1973. Currently, both employers and employees pay a "tier I" tax which is equivalent to the social security tax rate (6.7 percent in 1982). In addition, a "tier II" tax equal to 11.75 percent for employers and 2.0 percent for employees is applied to compensation paid to the railroad employees in a calendar month, subject to a maximum limitation. The annual (and monthly) limitation on taxable compensation for the purposes of the tier II tax is an amount equal to what the social security tax base would have been without regard to the ad hoc increases in the taxable wage base which were provided by the Social Security Amendment of 1977 (Public Law 95-215). Currently, the tier II annual taxable compensation base is $24,300; however, in no case does the tax apply to any amount paid in a month in excess of one-twelfth of the annual limitation ($2,025 in 1982).

Financial Interchange

The railroad retirement system and the social security programs have been coordinated financially since 1951. The purpose of the financial interchange is to place the social security trust funds in the same position they would have been in if railroad employment had been covered under social security since its inception.

TABLE 4.—AMOUNTS TRANSFERRED TO OR FROM (−) THE RAILROAD RETIREMENT ACCOUNT AND THE VARIOUS SOCIAL SECURITY TRUST FUNDS FOR FISCAL YEARS 1954 THROUGH 1984

[In millions of dollars]

	OASI	DI	HI	Total
Fiscal year:				
Through June 30, 1954	−21.1			−21.1
1955	−7.4			−7.4
1956	−5.2			−5.2
1957	−1.6			−1.6
1958	124.4			124.4
1959	282.0	−22.0		260.0
1960	318.4	−4.9		313.5
1961	331.7	5.1		336.8
1962	360.8	11.0		371.8
1963	422.5	19.6		442.1
1964	402.6	19.1		421.7
1965	435.6	23.6		459.2
1966	443.8	25.0		468.8
1967	508.0	30.6	−16.3	522.3
1968	437.6	20.4	−44.0	414.0
1969	491.5	21.3	−54.2	458.6
1970	578.8	10.4	−63.5	525.7
1971	613.0	13.2	−65.9	560.3
1972	724.3	24.2	−66.1	682.4
1973	783.0	19.5	−63.2	739.3
1974	908.6	22.3	−99.2	831.7
1975	981.8	28.5	−132.5	877.8
1976	1,212.3	26.4	−137.7	1,101.0
1977[1]	1,207.8	−0.3	−142.9	1,064.6
1978	1,588.7	29.8	−213.7	1,404.8
1979	1,447.5	29.9	−191.1	1,286.3
1980	1,442.0	−12.1	−244.3	1,185.6
1981	1,585.0	29.0	−276.0	1,338.0
1982[2]	1,951.0	29.0	−344.0	1,657.0
1983[2]	2,218.0	20.0	−375.0	1,863.0
1984[2]	2,402.0	12.0	−392.0	2,022.0
Total	24,167.2	400.7	−2,921.6	21,697.4

[1] Includes July–September 1976 transition quarter.

[2] Projections from the 1982 Old Age and Survivors and Disability and Hospital Insurance Trustee's Reports—Intermediate II–B Assumptions.

Source: Railroad Retirement Board.

Generally, under the interchange, for a given fiscal year there is computed the amount of social security taxes that would have been collected if railroad employment had been covered directly by social security. This amount is netted against the amount of benefits social security would have paid to railroad beneficiaries based on railroad and nonrailroad earnings during that period. Where social security benefits that would have been paid exceed social security taxes that would have been due, the excess, plus an allowance for interest and administrative expenses, is transferred from the social security trust funds to the railroad retirement account. If taxes exceed benefits, the transfer would be from the railroad retirement account to the social security trust funds.

The determination of the amount to be transferred through the financial interchange for a given fiscal year is made no later than June of the year following the close of the preceding fiscal year. Table 5 shows the actual operation of the financial interchange as it relates to each of the three major social security trust funds.

In order to make available to the railroad retirement account funds from the forthcoming financial interchange in the event of inadequate reserves in months prior to the transfer, the Omnibus Budget Reconciliation Act of 1981 established limited authority in the Railroad Retirement Board to request from the Secretary of the Treasury and receive from the general fund such amounts as the Board may find necessary to maintain a balance in the account sufficient to pay annuity amounts payable during the following month. The total amount of monies outstanding in the account from the general fund at any time during any fiscal year cannot exceed the total amount of monies the Board and the Trustees of the social security system estimates will be transferred under the financial interchange for such fiscal year. The rate of interest paid on amounts outstanding for any month would equal the average investment yield for the most recent auction of Treasury bills with maturities of 52 weeks. The borrowing authority was effective upon enactment.

The Omnibus Budget Reconciliation Act also contained a "benefit preservation" provision which will be activated only if the estimated amount to be borrowed against the annual financial interchange exceeds 50 percent of the interchange.

The benefit preservation mechanism, which is designed to protect the Federal Government's primary responsibility for the payment of social security benefits, has three major components:

1. The Railroad Retirement Board, the Federal agency responsible for administering RRS, must notify Congress and the President whenever borrowing authority will exceed 50 percent of the available amount. This notice will include: (a) the total amount needed and total amount available; (b) the first year benefits would exceed funds, including all available borrowing authority; and (c) the change in the benefit/revenue relationship (expressed as a percent of payroll) necessary to prevent insolvency.

2. Not later than 180 days after such a notice: (a) representatives of rail management and labor must submit, jointly or separately, refinancing proposals to Congress and the President; and (b) the President shall submit to Congress recommendations for resolving the crisis, including a plan to phase out Federal responsibility for RRS by covering rail employees and retirees by social security and requiring the rail industry to assume responsibility for all other remaining components of the pension plan.

3. Not later than 180 days after the "benefit preservation" feature is activated, the Board would announce the method for allocating reserves in any month in which inadequate funds precludes full payment of all benefits, with highest priority given to the payment of social security benefits.

Cents-per-hour tax

A cents-per-hour tax is used to fund the supplemental annuity benefit. This tax is levied solely on employers. The rate is determined quarterly by the Railroad Retirement Board.

General revenue appropriations

Windfall benefits are funded solely through general revenue appropriations. The Congress authorized such funding in the 1974 act through the year 2000. The total appropriated for the first 4 fiscal years for which windfall benefits were payable, 1976–1979, was $1,063 million.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97–35) established a "Dual Benefits Payments Account." Each year an amount which is appropriated for the payment of dual benefits will be placed into this account from which these payments will be made to beneficiaries. If the amount which is appropriated is insufficient to pay the full windfall benefits to all eligible beneficiaries for a full year, the Railroad Retirement Board is authorized to prorate payments from the dual benefits account so that the amounts paid do not exceed the amounts appropriated. (It has been estimated that $430 million would have to be appropriated into order to fully finance windfall benefits in fiscal year 1983. Under a continuing resolution, enacted on December 15, 1981, providing Federal funding through March 31, 1982, the fiscal year 1982 appropriation is $379 million (i.e. 86 percent of the amount which would be necessary to pay the full windfall benefits to all eligible beneficiaries).)

Interest from investments

Funds not needed immediately for benefit payments are invested in interest-bearing securities. A portion of the investment income is to be utilized to reduce the appropriations required from the general revenues for funding the windfall benefits.

FINANCIAL STATUS OF THE RAILROAD RETIREMENT ACCOUNT

One of the most important factors affecting the financial status of the Railroad Retirement System is the level of employment in the industry. The recent history of employment in the industry is as follows:

TABLE 5.—HISTORIC LEVELS OF INDUSTRY EMPLOYMENT, 1940–82

[In thousands]

1940	1,195
1945	1,085
1950	1,421
1955	1,239
1960	909

1965	753
1970	640
1975	548
1976	540
1977	546
1978	542
1979	554
1980	531
1981	505
1981:	
January	509
February	508
March	506
April	514
May	512
June	508
July	514
August	510
September	506
October	502
November	492
December	477
1982:	
January	461
February	450
March	444
April	449
May	455
June	454
July	446
August	438
September	434
October	426
November	416
December	404

Source: Railroad Retirement Board.

Table 6, which was prepared by the Railroad Retirement Board, projects the balance of the account at its lowest point during the year (April 30) and the amount of the financial interchange transfer received during the year, and served as the basis of the 1981 refinancing package.

TABLE 6.—FUND BALANCE ON APRIL 30 OF YEAR AND FINANCIAL INTERCHANGE TRANSFER AMOUNT DURING THE YEAR UNDER VARIOUS EMPLOYMENT ASSUMPTIONS, 1981–91

[Dollar amounts are in millions]

Year	Average employment (thousands)	Financial interchange transfer	April 30 balance
Employment assumption A:			
1981	510	$1,338	$1,070
1982	490	1,554	128
1983	480	1,754	−360
1984	470	1,911	−814
1985	470	2,056	−1,201
1986	470	2,038	−1,369
1987	470	2,031	−1,550
1988	470	2,039	−1,755
1989	470	2,042	−1,968
1990	470	2,073	−2,116
1991	470	1,871	−1,977
Employment assumption B:			
1981	510	1,338	1,070
1982	480	1,554	78
1983	460	1,793	−536
1984	450	1,997	−1,150
1985	450	2,149	−1,664
1986	450	2,141	−1,970
1987	450	2,144	−2,304
1988	450	2,160	−2,678
1989	450	2,173	−3,084
1990	450	2,213	−3,448
1991	450	2,028	−3,559
Employment assumption C:			
1981	510	1,338	1,070
1982	495	1,554	149
1983	485	1,735	−290
1984	475	1,890	−711
1985	475	2,033	−1,066
1986	475	2,012	−1,202
1987	475	2,002	−1,349
1988	475	2,008	−1,516
1989	475	2,010	−1,686
1990	475	2,038	−1,784
1991	475	1,832	−1,586
Employment assumption D:			
1981	510	1,338	1,070
1982	500	1,554	169
1983	490	1,716	−223
1984	485	1,868	−600
1985	480	1,987	−888

TABLE 6.—FUND BALANCE ON APRIL 30 OF YEAR AND FINANCIAL INTERCHANGE TRANSFER AMOUNT DURING THE YEAR UNDER VARIOUS EMPLOYMENT ASSUMPTIONS, 1981-91—Continued

[Dollar amounts are in millions]

Year	Average employment (thousands)	Financial interchange transfer	April 30 balance
1986	475	1,985	−1,027
1987	470	2,002	−1,206
1988	465	2,039	−1,436
1989	460	2,075	−1,708
1990	455	2,142	−1,954
1991	450	1,989	−1,970

Note.—All assumptions other than employment levels are those on which the labor-management agreement was based.

Source: Railroad Retirement Board.

The general conclusion which was drawn from these projections is that only under the most adverse employment scenario (i.e., employment Assumption-B) would the borrowing authority be exceeded before 1990. However, even under this assumption, the borrowing authority was not estimated to be exceeded until 1987.

As can be seen from these projections and the actual levels of employment since 1981, employment has decreased faster and to a lower level than had been anticipated.

As a result of the effects of this decline in employment on the financial status of the system, the chief actuary of the Railroad Retirement Board has recently informed the members of the Board that:

1. The system will borrow 50 percent of the amount available to it in fiscal year 1983. This will result in the Board making the report required under section 22 on or before April 1, 1983. Within 180 days of the submission of this report, the Board must issue regulations which provide for cutting benefits to the extent necessary so that payments do not exceed the funds available. The cut would apply beginning with the fiscal year designated in the report as being the first fiscal year during which insufficient funds would preclude payment of full benefits.

2. If no corrective action is taken, the first fiscal year in which the system will exceed its borrowing authority is 1984. Accordingly, the first benefits to be cut under the regulations referred to in (1) will be the accrual for October 1983 (paid November 1, 1983).

3. In order to avoid a cutback in benefits under section 22 starting in October 1983, the tier 2 tax rate would have to be raised to about 6.3 percent starting on October 1, 1983. In order to avoid a cutback in October 1984, the October 1, 1983 increase in the tax rate would have to be 8.8 percent.

4. If the increase in the tier 2 tax rate took effect on July 1, 1983, the figures would change to 4.2 percent and 7.3 percent, respectively.

This analysis is based on the following employment assumptions:

AVERAGE NUMBER OF RAILROAD WORKERS ASSUMED IN THE PROJECTION

[In thousands]

Year:	
1982	442
1983	385
1984	370
1985	360
1986	355
1987	350
1988	345
1989 to 1992	340

As a result of these new estimates the Railroad Retirement Board will soon promulgate regulations under the "benefit preservation" mechanism enacted in 1981 which will result in the reduction of benefits to the extent necessary so that payments would not exceed the funds available. This reduction will first apply to benefits for September 1983 (paid on October 1, 1983). This will occur unless legislative action is taken in the interim to either reduce benefits, increase revenue, or both.

PART 3

REVENUES

Section 1. Summary Information
Section 2. Bibliographic Information

Section 1. Summary Information

This part provides summary information regarding Federal revenues and the U.S. tax system. Most, but not all, budget receipts are derived from taxes. Table 1 shows budget receipts, by source, for recent years. Table 2 indicates the relative significance of the major types of receipts. Over recent years the relative significance of corporate income taxes has declined; individual income taxes and social insurance taxes and contributions have increased as a share of the total.

Table 3 provides information on the number of tax returns, by type filed in 1980, 1981, and 1982. The gross amount of taxes collected exceeds net collections by the amount of refunds. As indicated in table 4, individual income tax refunds in 1982 were 16 percent of gross collections.

The sources of income reported on individual income tax returns for 1980 and 1981 are listed in table 5 along with additional summary information. More than 95 million individual income tax returns were filed for the 1981 taxable year. The number of exemptions listed on these returns, 231 million, approximately equaled the U.S. population, though the extra exemptions for those over 65, certain students, and the blind result in the double counting of certain individuals in arriving at the total number of exemptions claimed. Wages and salaries represented about 84 percent of reported adjusted gross income. Tax liabilities represented 16 percent of adjusted gross income.

One-third of all taxpayers itemized their deductions on individual income tax returns for 1981. These deductions, by type, are shown in table 6. Information on tax credits claimed by individuals as they filed their 1979 returns is shown in table 8.

The distribution of tax liabilities and average income tax liabilities by adjusted gross income class, based on information contained on 1981 tax returns, is displayed in table 9.

The most recently published information for corporate income tax returns is summarized in table 10. Of the nearly 2.6 million returns filed by active corporations for taxable year 1979, 62 percent had net income. Only 38 percent of active corporations had a tax liability, after accounting for tax credits and carryover losses. Slightly fewer than 1 million corporations paid total taxes of $65.9 billion.

TABLE 1.—BUDGET RECEIPTS BY SOURCE, 1974–82

[In billions of dollars]

Description	1974	1976	1978	1980	1982
RECEIPTS BY SOURCE					
Individual income taxes	119.0	131.6	181.0	244.1	297.7
Corporation income taxes	38.6	41.4	60.0	64.6	49.2
Social insurance taxes and contributions:					
Employment taxes and contributions	65.9	79.9	103.9	138.7	180.7
Unemployment insurance	6.8	8.1	13.8	15.3	16.6
Other retirement contributions	2.3	2.8	3.2	3.7	4.2
Total social insurance taxes and contributions	75.1	90.8	121.0	157.8	201.5
Excise taxes:					
Alcohol	5.2	5.3	5.5	5.6	5.4
Tobacco	2.4	2.5	2.4	2.4	2.5
Highway	6.3	5.4	6.9	6.6	6.7
Airport and airway	0.8	0.9	1.3	1.9	0.1
Windfall profit tax				6.2	18.9
Other	2.1	2.8	2.2	1.5	2.6
Total excise taxes	16.8	17.0	18.4	24.3	36.3
Estate and gift taxes	5.0	5.2	5.3	6.4	8.0
Customs duties	3.3	4.1	6.6	7.2	8.9
Miscellaneous receipts	5.4	8.0	7.4	12.7	16.2
Total budget receipts	263.2	298.1	399.6	517.1	617.8

Source: The United States Budget in Brief, Fiscal Year 1984, Executive Office of the President, Office of Management and Budget, p. 70.

TABLE 2.—BUDGET RECEIPTS BY SOURCE, 1974 AND 1982

	1974		1982	
	Amount (billions)	Percent of total	Amount (billions)	Percent of total
Individual income taxes	119.0	45.2	297.7	48.2
Corporation income taxes	38.6	14.7	49.2	8.0
Total social insurance taxes and contributions	75.1	28.5	201.5	32.6
Total excise taxes	16.8	6.4	36.3	5.9
Estate and gift taxes	5.0	1.9	8.0	1.3
Customs duties	3.3	1.3	8.9	1.4
Miscellaneous receipts	5.4	2.1	16.2	2.6
Total budget receipts	263.2	100.0	617.8	100.0

Source: The United States Budget in Brief, Fiscal Year 1984, Executive Office of the President, Office of Management and Budget, p. 70.

TABLE 3.—NUMBER OF RETURNS FILED, BY PRINCIPAL TYPE OF RETURN

[In thousands]

Type of return	1980	1981	1982
Income tax returns:			
Individual	93,128	94,018	95,481
Declaration of estimated tax	8,699	30,347	31,863
Fiduciary	1,877	1,197	1,964
Partnership	1,390	1,467	1,561
Corporation	2,709	2,806	2,950
Total income tax returns	107,827	130,555	133,819
Estate tax	148	146	135
Gift tax	216	199	99
Employment tax	26,440	26,063	25,835
Exempt organization	444	409	444
Employee plans	792	790	1,021
Alcohol, tobacco, and firearms	547	522	233
Excise tax	909	971	1,172
Supplemental documents	6,064	6,817	7,556
Non-Master file returns	83	56	55
Grand total	143,466	166,528	170,369

Source: Commissioner of Internal Revenue, Annual Report, 1981 and 1982.

TABLE 4.—INTERNAL REVENUE COLLECTIONS AND REFUNDS, 1981 AND 1982

[In millions of dollars]

Source	1981		1982	
	Gross collections	Refunds [1]	Gross collections	Refunds [1]
Grand total	606,799	62,250	632,241	75,202
Corporation income taxes	73,733	12,596	65,991	17,974
Individual income taxes	332,850	[2] 48,617	352,609	[2] 55,102
Employment taxes, total	152,886	581	168,718	1,578
Old-age, survivors, disability, and hospital insurance	(146,529)	(515)	(162,138)	NA
Railroad retirement	(2,711)	(7)	(3,229)	NA
Unemployment insurance	(3,645)	(59)	(3,351)	NA
Estate and gift taxes	6,910	124	8,143	181
Excise taxes	40,420	332	36,780	367

[1] Does not include interest paid on refunds.

[2] Refunds of Forms 1040 and 1040A including withheld taxes, minus FICA.

Source: Commissioner of Internal Revenue, Annual Report, 1982.

TABLE 5.—INDIVIDUAL INCOME TAX—SOURCES OF INCOME AND SELECTED TAX ITEMS, 1980 AND 1981

Items	Billions of dollars except as noted	
	1980	1981
Number of returns, total (millions)	93.6	95.3
Taxable	73.7	76.7
Nontaxable	19.9	18.6
Number of exemptions (millions)	227.1	231.0
Adjusted gross income less deficit	1,606.3	1,779.4
Sources of income:		
Salaries and wages	1,345.0	1,489.2
Pensions and annuities in adjusted gross income	43.3	52.1
Business and profession net profit less loss	54.0	53.6
Farm net profit less loss	−1.5	−7.4
Partnership net profit less loss	10.7	2.1
Small Business Corporation net profit less loss	.9	−.4
Sales of capital assets net gain less loss	26.9	29.3
Sales of property other than capital assets net gain less loss	1.5	.3
Dividends received	NA	48.5
Dividends in adjusted gross income	38.0	NA
Interest received	100.9	139.9
Dividends and interest in adjusted gross income	NA	177.7
State income tax refunds	NA	4.4
Alimony received	NA	1.7
Unemployment compensation in adjusted gross income	NA	2.3
Rent net income less loss	.5	−2.1

TABLE 5.—INDIVIDUAL INCOME TAX—SOURCES OF INCOME AND SELECTED TAX ITEMS, 1980 AND 1981—Continued

Items	Billions of dollars except as noted	
	1980	1981.
Royalty net income less loss	3.7	5.6
Estate or trust net income less loss	4.3	3.9
All other sources (net)	7.3	.5
Total statutory adjustments	28.0	31.5
Total itemized deductions	214.8	255.4
Taxable income	1,273.6	1,415.6
Zero bracket amount	234.3	240.8
Exemptions	227.1	230.9
Income tax before credits	254.2	295.7
Total credits	6.7	11.4
Income tax after credits	247.5	284.2
Additional tax for tax preferences—minimum tax	.9	.5
Alternative minimum tax	NA	1.1
Total income tax	248.4	285.8
Self-employment tax	5.5	6.6
Total tax liability	254.1	292.7

Source: U.S. Department of the Treasury, Internal Revenue Service, SOI Bulletin, Vol. 1, No. 3, Winter 1981-82 and Advance Data, 1981 Individual Income Tax Returns.

TABLE 6.—INDIVIDUAL INCOME TAX—ITEMIZED DEDUCTIONS BY TYPE, 1981

	Number of returns (millions)	Amount (billions)
Medical and dental	21.1	17.6
Taxes paid	31.2	79.9
Contributions	29.0	30.9
Interest	28.7	107.7
Miscellaneous deductions	26.7	19.2
Net casualty or theft loss	(3.2)	(3.5)
Total	31.5	255.4
Zero bracket amount	31.1	96.0
Excess itemized deductions	31.1	157.9

Source: U.S. Department of the Treasury, Internal Revenue Service, Advance Data, 1981 Individual Income Tax Returns.

TABLE 7.—INDIVIDUAL INCOME TAX RETURNS WITH ITEMIZED DEDUCTIONS, 1960–81

[In millions]

	Total individual returns [1]	Returns with itemized deductions	
		Number	Percent of total
1960	61.0	24.1	39.5
1965	67.6	27.9	41.3
1970	74.3	35.4	47.6
1972	77.6	27.0	34.8
1973	80.7	28.0	34.7
1974	83.3	29.6	35.5
1975	82.2	26.1	31.8
1976	84.7	26.0	30.7
1977	86.6	22.9	26.4
1978	89.9	25.8	28.7
1979	92.6	26.5	28.6
1980	93.6	28.8	30.8
1981	95.3	31.5	33.1

[1] Through 1970, excludes returns with no adjusted income; thereafter includes returns with no adjusted income.

Source: Statistical Abstract of the United States 1980, p. 269, and U.S. Department of Treasury, Internal Revenue Service, SOI Bulletin, Vol. 1, No. 3, Winter 1981–82, and Advance Data, 1981 Individual Income Tax Returns.

TABLE 8.—INDIVIDUAL INCOME TAX—TAX CREDITS BY TYPE, 1979 [1]

	Number of returns (millions)	Amount (billions of dollars)
Child care credit	3.8	0.8
Earned income credit	7.1	2.1
Used to offset income tax	(3.5)	(.5)
Used to offset other taxes	(.7)	(.2)
Refundable portion	(5.1)	(1.4)
Credit for the elderly	.6	.1
Investment credit	4.2	3.3
Foreign tax credit	.3	.9
Contributions to candidates credit	4.1	.2
Jobs credit	.3	.5
Residential energy credit	4.8	.5

[1] Excludes credits claimed by less than 50,000 taxpayers.

Source: U.S. Treasury, Internal Revenue Services, Individual Income Tax Returns, Statistics of Income, 1979, pp. 78–80.

TABLE 9.—ESTIMATED TAXABLE RETURNS, TOTAL TAX LIABILITY,[1] AVERAGE TAX LIABILITY, AND PERCENTAGE OF TAXPAYERS WHO ITEMIZED DEDUCTIONS IN 1981

[1981 income levels]

Adjusted gross income	Taxable returns (thousands)	Percentage itemizing deductions	Total income tax liability (millions)	Average income tax liability
Below $5	4,660	6.3	$659	$141
$5 to $10	13,796	6.2	7,380	535
$10 to $15	13,759	16.0	16,940	1,231
$15 to $20	10,824	31.4	22,567	2,085
$20 to $30	16,200	54.3	55,697	3,438
$30 to $50	13,326	80.1	86,561	6,496
$50 to $100	3,453	93.5	51,495	14,913
$100 to $200	523	96.2	21,863	41,803
$200 and above	143	97.2	22,687	158,650
Total	76,682	39.2	285,850	3,728

[1] Tax liabilities do not reflect the refundable portion of the earned income credit

Source: U.S. Department of the Treasury, Internal Revenue Service, Advance Data, 1981 Individual Income Tax Returns.

TABLE 10.—CORPORATION INCOME TAXES—RETURN CHARACTERISTICS OF ACTIVE CORPORATIONS, 1979

	Number of returns	Millions of dollars
Active corporations	2,556,794	
With net income	(1,586,485)	
Total receipts		5,598,689
Business receipts		(5,136,075)
Cost of sales and operations		3,709,673
Net income (less deficit)		284,616
Net income		(321,650)
Income subject to tax	1,132,930	279,376
Income tax (before credits)	1,162,940	120,047
Normal tax, surtax and alternative tax	(1,132,930)	(118,860)
Tax from recomputing prior-year investment credit	(178,508)	(745)
Tax from recomputing prior-year work incentive (WIN) credit	(1,217)	(9)
Additional tax for tax preferences	(10,661)	(433)
Foreign tax credit	6,044	36,827
U.S. possessions tax credit	586	1,376
Investment credit	791,487	14,635
Work incentive (WIN) credit	6,210	28
Jobs credit	209,468	1,293
Total income tax after credits	962,132	65,887
Distribution to stockholders (except in own stock) all returns		86,614
Returns with net income		(82,396)

TABLE 10.—CORPORATION INCOME TAXES—RETURN CHARACTERISTICS OF ACTIVE CORPORATIONS, 1979—Continued

	Number of returns	Millions of dollars
Total assets		6,835,057
Net worth		1,715,785
Depreciable assets		1,896,560
Depreciation deduction		138,062

Note.—Numbers in parentheses are additive to the totals; 1979 data are for corporations with taxable years beginning July 1978 through June 1979.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income 1978–79, Corporation Income Tax Returns, pp. 76, 79 and 118.

Section 2. Bibliographic Information

The following is a list, prepared by the Congressional Research Service of the Library of Congress, of the principal sources for Federal tax statistics that are published by agencies of the Federal Government. The listings are arranged by publishing agency and include brief annotations where appropriate. The entries are principally printed material but include several computer tape filings.

I. INTERNAL REVENUE SERVICE PUBLICATIONS

A. STATISTICS OF INCOME

The most detailed and comprehensive source for statistics on Federal taxes is published by the Internal Revenue Service in its *Statistics of Income* series, the components of which are usually published on an annual basis. The data in the reports are based on information on tax returns filed with the IRS. The reports consist of a wide variety of statistical information on income tax liabilities as well as characteristics of the income that generates the liabilities. The series began in 1916 and until 1954 reported statistics from all forms of tax returns in a single one or two volume series entitled *Statistics of Income.* Beginning with 1954 the series was separated into several components, according to the type of income tax returns on which the statistics were based.

Regular reports

The following *Statistics of Income* reports are generally issued annually.

U.S. Internal Revenue Service. Statistics of Income. 1916–53. Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Corporation Income Tax Returns. 1954– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Estate Tax Returns. 1954– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Individual Income Tax Returns. 1954– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Partnership Returns. 1977– . Washington, U.S. Gov't. Print. Off., various dates.

———. Statistics of Income: Sole Proprietorship Returns. 1977– . Washington, U.S. Gov't. Print. Off., various dates.

The following series was published on a regular basis for tax years 1957 through 1976, but was replaced, beginning in 1977 by the *Partnership* and *Sole Proprietorship* series' listed above.

———. Statistics of Income: Business Income Tax Returns, 1957/58–76. Washington, U.S. Gov't. Print. Off., various dates.

Supplemental reports

In addition to its regular series; the Internal Revenue Service published supplementary *Statistics of Income* reports containing a variety of tax statistics. The most recent of these reports are listed here.

U.S. Internal Revenue Service. Statistics of Income: Domestic International Sales Corporation Returns, 1972, 1973 and 1974. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Foreign Income and Taxes Reported on Individual Income Tax Returns, 1972–78. Washington, U.S. Gov't. Print. Off., 1981.

———. Statistics of Income: Foreign Tax Credit Claimed on Corporation Returns, 1974. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Sales of Capital Assets Reported on Individual Income Tax Returns, 1973. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Individual Retirement Arrangements, 1976. Washington, U.S. Gov't. Print. Off., 1980.

———. Statistics of Income: Private Foundations, 1974–78. Washington, U.S. Gov't. Print. Off., 1981.

———. Statistics of Income: U.S. Corporations and their Controlled Foreign Corporations, 1974–78. Washington, U.S. Gov't. Print. Off., 1981.

———. Statistics of Income: Foreign Income and Taxes Reported on U.S. Income Tax Returns, 1976–79. Washington, U.S. Gov't. Print. Off., 1982.

In addition to the reports cited above, the Internal Revenue Service publishes preliminary income tax data in its *Statistics of Income Bulletin*. This publication began in 1981 and is published on a quarterly basis.

B. OTHER INTERNAL REVENUE SERVICE PUBLICATIONS

U.S. Internal Revenue Service. Annual Report of the Commissioner of Internal Revenue and the Chief Counsel for the Internal Revenue Service. 1863/64– Washington, U.S. Gov't. Print. Off., various dates.

This annual document is in the nature of an administrative report. Accordingly, while it does contain relatively detailed statistics on taxes that overlap to some degree with the *Statistics of Income* series, its emphasis is different. Statistics reported include actual tax collections by type of tax rather than tax liabilities such as reported in *Statistics of Income*. Other administrative data such as refunds issued are also reported. Also, statistics are reported on a fiscal year basis rather than by tax year, as with the *Statistics of Income* series.

In addition to the above series, much of the raw data that appears in organized form in the *Statistics of Income* series is available in the form of computer tape files. The following tape files are available on a reimbursable basis from Machine Readable Archives Division (NNR), National Archives and Records Service, Washington, D.C.

Individual Tax Model File, 1966–78
Estate Tax File, 1972, 1976
State Tax Model File, 1977–79
Corporation Source Book, 1965–76
Private Foundations File, 1974
Employee Plans File, 1977
Exempt Organizations File, 1975

The 1979 Individual Tax Model File and the 1977 Employee Plans file are available on a reimbursable basis from the Statistics of Income Division, IRS, Washington, D.C.

II. DEPARTMENT OF THE TREASURY PUBLICATIONS

The Department of the Treasury issues several regular reports that contain statistics on Federal taxes. Several of these reports contained statistics on tax receipts in the context of Federal receipts as a whole. The Treasury Department also issues reports on several specific provisions of the Internal Revenue Code, providing a wide variety of statistics.

U.S. Department of the Treasury. Annual Report of the Secretary of the Treasury on the State of the Finances, 1815- . Washington, U.S. Gov't Print. Off., various dates.

The Annual Report contains a brief section on tax receipts by type of tax, shown in the context of budget receipts as a whole. The statistics are reported on a fiscal year basis.

———. High Income Tax Returns. 1974/75–1975/76. Washington, U.S. Gov't. Print. Off., 1977, 1978.

The Treasury Department is required by P.L. 94–455 to issue annual reports on high income tax returns. The reports emphasize returns with little or no tax liability. Beginning with tax year 1979, the report was integrated into the regular Statistics of Income volume for individuals.

———. Operation and Effect of the Domestic International Sales Corporation Legislation, 1972- . Washington, U.S. Gov't Print. Off., 1974–81.

This report is required annually under P.L. 92–178.

———. Operation and Effect of the International Boycott Provisions of the Internal Revenue Code, 1976- . Washington, U.S. Gov't. Print. Off., 1979, 1980, 1982.

This report is required to be made annually by P.L. 94–455.

———. Operation and Effect of the Possessions Corporation System of Taxation, 1978- . Washington, U.S. Gov't Print. Off., 1978–80.

This report is required to be made annually by P.L. 94–455.

———. Treasury Bulletin. Washington, U.S. Gov't Print. Off., 1939- .

This monthly publication reports tax receipts by type of tax on a monthly basis and in the context of Federal receipts as a whole.

———. Treasury Combined Statement of Receipts, Expenditures and Balances of the United States Government, 1940- . Washington, Dept. of the Treasury, various dates.

The annual Combined Statement also reports tax receipts by type of tax in the context of budget receipts as a whole, but on a fiscal year basis. Its statistics are generally more detailed than those published in the Annual Report of the Secretary.

III. OTHER EXECUTIVE BRANCH PUBLICATIONS

———. U.S. Department of Commerce. Bureau of the Census. Historical Statistics of the United States, Colonial Times to the Present. Bicentennial Edition, part 2. Washington, U.S. Gov't Print. Off., 1975.

This volume contains a section on Government finances that presents a wide variety of historical tax statistics gathered from the IRS and Treasury Department sources listed above, although in a generally less detailed form.

———. Statistical Abstract of the United States 1878- . Washington, U.S. Gov't. Print. Off., various dates.

The Statistical Abstract also contains statistics on Federal taxes gathered from sources previously listed. Because it is published annually, statistics it reports are more current than those in the Bureau's Historical Statistics volume. However, less historical detail is provided.

U.S. Department of Commerce. Bureau of Economic Analysis. National Income and Product Accounts of the United States, 1929–76: Statistical Tables. Washington, Dept. of Commerce, Sept. 1981.

This volume contains tax statistics on an historical basis in the context of the National Income and Product Accounts.

———. Survey of Current Business. Washington, 1921- .

Published on a monthly basis, this serial also reports tax statistics in the context of the National Income and Product Accounts.

U.S. Federal Trade Commission. Quarterly Financial Report for Manufacturing, Mining and Trade Corporations. Washington, 1947- .

This quarterly report contains statistical information based on samples of financial reports filed with the FTC by corporations. Corporate tax information is reported in aggregate form in the context of balance sheets.

U.S. Office of Management and Budget. Budget of the United States Government. 1921- . Washington, U.S. Gov't. Print. Off., various dates.

The principal budget document, issued on a fiscal year basis, generally contains a section that projects future budget receipts by source. The corresponding section of the Fiscal Year 1983 document is Part 4. In addition, the budget generally contains a section comprised of summary tables that include historical statistics on tax receipts. These tables are in Part 9 of the Fiscal Year 1983 document.

———. Budget of the United States Government, 1983: Special Analysis B—Federal Transactions in the National Income Accounts. Washington, U.S. Gov't. Print. Off., 1982.

Associated with the principal budget document, but published separately are numerous analyses of topics related to the budget. Special Analysis B contains statistics on tax receipts in the context of the National Income and Product Accounts.

———. Budget of the United States Government, 1983: Special Analysis G—Tax Expenditures. Washington, U.S. Gov't. Print. Off., 1982. Special Analysis G contains statistics related to tax expenditures.

U.S. President. Economic Report of the President, Transmitted to the Congress, 1947- . Washington, U.S. Gov't. Print. Off., various dates.

This annual document contains summary statistics on Federal tax receipts in the context of total Federal receipts on both a calendar and fiscal basis and with some historical detail.

An additional Federal agency from which tax statistics are available is the Securities and Exchange Commission (SEC). Many corporations are required to file financial statements with the SEC that include tax information. These statements, filed on form 10K, are not compiled and published by the SEC but are accessible to the general public at the SEC Public Reference Office, 4050 5th St. N.W., Washington, D.C.

IV. LEGISLATIVE BRANCH SOURCES

The Joint Committee on Taxation frequently publishes revenue estimates prepared by its staff. These are usually associated with revenue measures that are pending before or have recently been passed by Congress or that are otherwise of interest. The estimates generally appear in reports of the House Ways and Means Committee, the Senate Finance Committee, or in Joint Committee prints. Some of the Joint Committee's recent revenue estimates are contained in the publications listed below.

U.S. Congress. Conference Committees, 1982. Tax Equity and Fiscal Responsibility Act of 1982: Conference Report to Accompany HR 4961. 97th Cong., 2nd sess., H. Rept. No. 97-760, Aug. 17, 1982. Washington, U.S. Gov't. Print. Off., 1982. pp. 691-96.

U.S. Congress. Joint Committee on Taxation. Analysis of Proposals Relating to Broadening the Base and Lowering the Rates of the Income Tax, Scheduled for a Hearing Before the Committee on Finance on September 28-30, 1982: Pre-

pared for the Use of the Committee on Finance by the Staff of the Joint Committee on Taxation. Committee Print, 97th Cong., 2nd sess., 1982. Washington, U.S. Gov't. Print. Off., 1982.

———. Description of Possible Options to Increase Revenues. Joint Committee Print, 97th Cong., 2nd sess. 1982. Washington, U.S. Gov't. Print. Off., 1982.

———. General Explanation of the Economic Recovery Tax Act of 1981. Joint Committee Print, 97th Cong., 1st. sess., Dec. 29, 1981. Washington, U.S. Gov't. Print. Off., 1982.

U.S. Congress. Senate. Committee on the Budget. Tax Expenditures: Relationships to Spending Programs and Background Material on Individual Provisions. Committee Print, 97th Cong., 2nd sess., March 17, 1982. Washington, U.S. Gov't. Print. Off., 1982.

In connection with its function of providing Congress with information and analysis of the Federal budget, the Congressional Budget Office (CBO) frequently publishes statistics on tax receipts along with its budget reports. Much of CBO's statistics is projections of tax receipts for future years. A listing of recent CBO publications that contain tax data is provided below.

U.S. Congressional Budget Office. An Analysis of the President's Budget Proposals for Fiscal Year 1983. Washington, U.S. Gov't. Print. Off., 1982.

———. Baseline Budget Projections for Fiscal Years 1983-1987. Washington, U.S. Gov't. Print. Off., 1982.

———. The Economic and Budget Outlook: An Update. Washington, U.S. Gov't. Print. Off., 1982.

———. Reducing the Federal Deficit: Strategies and Options. Washington, U.S. Gov't. Print. Off., 1982.

———. Tax Expenditures: Budget Control Options and Five-Year Budget Projections for Fiscal Years 1983-1987. Washington, U.S. Gov't. Print. Off., Nov. 1982.

PART 4

OTHER MATTERS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Public Debt and Debt Management
Section 2. The Federal Financing Bank
Section 3. Pension Benefit Guaranty Corporation
Section 4. Capital Construction Fund

Section 1. Public Debt and Debt Management

An increase in the gross public debt during a fiscal year is approximately equal to the Federal funds deficit plus the deficit of off-budget Federal entities. The Federal funds deficit reduced by trust fund surpluses equals the unified budget deficit. Federal funds receipts are derived mainly from taxes and are used for the general purposes of the Government. The trust funds collect certain taxes and other receipts for specified purposes, such as payment of social security benefits, in accordance with the terms of a trust agreement or statute. Thus, even if the unified budget were in balance, the public debt would still increase if the Federal funds were in a deficit position and the trust funds accumulating an offsetting surplus. In general, trust fund surpluses are invested in special issue public debt securities. Even if both Federal funds and trust funds were in balance, the gross public debt would increase if the off-budget Federal entities were in a deficit position. The largest of the off-budget Federal entities, in terms of its deficit, is the Federal Financing Bank discussed below in Section 2.

An increase in the gross public debt is not precisely equal to the Federal funds deficit plus the deficit of off-budget Federal entities because, to a limited extent, deficits can be financed by means other than borrowing. For example, if the Federal Government ends the fiscal year with a smaller cash balance than at the beginning of the year, that decline in the cash balance would substitute for borrowing from the public.

This section has focused primarily on the deficit and increases in the public debt. It is, of course, possible for the public debt to decline. For example, this would occur if a Federal funds surplus exceeded the deficit of off-budget Federal entities. If at the same time the trust funds were in a surplus position, investment of those surpluses in public debt securities would be accomplished by the Treasury not issuing new debt to replace maturing debt held by the public and instead issuing new special issues to the trust funds. In economic terms, the debt held by the public—that is the amount that excludes the debt held by trust funds—has much more significance than the total debt outstanding.

The range of possible impacts of the deficits or surpluses of Federal funds, trust funds, and off-budget Federal entities on the unified budget deficit, gross public debt and debt held by the public is summarized in the table below. For example if the Federal funds account is in deficit, the unified budget deficit will be larger, as will be the gross public debt and the debt held by the public.

	Impact on		
	Unified budget deficit	Gross public debt	Debt held by the public
Federal funds:			
Deficit	+	+	+
Surplus	–	–	–
Trust funds:			
Deficit	+	0	+
Surplus	–	0	–
Off-budget Federal entities:			
Deficit	0	+	+
Surplus	0	–	–

Table 1 provides actual information on the budget and public debt. Table 2 shows the statutory debt limit and debt subject to limit at the end of each fiscal year since 1973. The gross public debt is larger than the amount subject to limit primarily because certain debts issued by Federal agencies are not, by statute, subject to the debt ceiling. The amount of such agency debt outstanding has been reduced in recent years. For a more complete discussion of the budget and debt concepts see special analyses C and E in Special Analyses, Budget of the United States Government, Fiscal Year 1984.

Statutory limitations have traditionally been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount for each debt issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. The latter type of limitation has been in effect since 1941.

Since 1971, the statutory debt limit has consisted of a permanent limit of $400 billion plus a temporary increment that usually expired in a year or less. Since the debt subject to limit has been more than $400 billion, new legislation has been required no later than the expiration date of each temporary increment. Three times in recent years the temporary increment has expired without having been extended, so for a few days on each occasion the Federal debt exceeded the statutory limit. The validity of debt issued prior to the expiration of the temporary ceiling was not affected, but the Treasury Department had to suspend all sales of savings bonds and other debt securities until a new temporary ceiling was enacted.

The debt ceiling was most recently increased to $1,290.2 billion, for the period October 1, 1982, through September 30, 1983, by Public Law 97-270, approved September 30, 1982. This Act was passed under rules enacted in 1979 that integrate the House's procedure for setting of the public debt limit with the congressional budget process. Under this procedure (House Rule XLIX), when the conference report on a budget resolution is adopted and specifies a public debt limit for a fiscal year which differs from the statutory limit in effect, the Enrolling Clerk of the House prepares a joint resolution which changes the current statutory public debt limit consistent with the level of public debt specified in the budget resolution. The vote by which the House agreed to the conference report on the budget resolution is deemed to have been a vote in favor of the joint resolution on the public debt. If there is no conference report, the House vote to adopt the budget resolution applies. The joint resolution is then sent to the Senate for legislative action. After final passage by both Houses, the joint resolution is transmitted to the President for his signature.

As part of this process, the Committee on Ways and Means submits a specific recommendation in its March 15th report to the House Budget Committee for the appropriate public debt limit to be included in the budget resolution.

This procedure does not preclude changing the public debt limit at any time by passing a public debt limit bill that originates in the Committee on Ways and Means.

The outstanding debt subject to limit at the end of December 1982 was $1,197.9 billion, $92.3 billion below the statutory limit of $1,290.2 billion.

Table 3 provides information on the ownership of the public debt. Interest received on the public debt held by Federal Reserve Banks is in excess of the costs of operating those banks. Excess earnings of the Federal Reserve Banks are paid over to the Treasury and classified as miscellaneous budget receipts. During 1982, these payments totaled $15.2 billion.

Table 4 shows the composition of interest-bearing public debt by kind of obligation. Current law constrains the composition of the debt by a 4½ percent interest rate ceiling on bonds with a maturity at date of issue of 10 years or more. Under current law, $110 billion of long-term bonds are exempt from the 4½ percent interest rate ceiling. This limitation was most recently revised by Public Law 97-248 which increased the limitation from $70 billion to $110 billion.

Prior to the enactment of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982, the rate of interest on savings bonds was constrained. The rate could not have been increased by more than 1 percentage point in any 6-month period. The 1982 Act repealed that limitation thus allowing the Treasury Department to issue savings bonds with a variable rate of interest. The Treasury Department's new savings bond program went into effect on November 1, 1982.

The maturity distribution of the debt is shown in table 5. This distribution can be summarized in terms of the average maturity of the debt. Debt management primarily involves decisions regarding the maturity compositions of the debt. The longer the average maturity of the debt, the smaller the amount of maturing securities that must be refinanced with new issues at any one time. Smaller refunding operations are less likely to disturb capital markets. On the other hand, lengthening the average maturity of the debt requires issuing more longer term securities that are competitive with securities issued to finance private capital formation. Longer term securities typically carry higher interest rates than short-term securities so that lengthening the average maturity of the debt may result in higher interest payments.

TABLE 1.—BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1974–82

[In billions of dollars]

Description	1974	1976	1978	1980	1982
Receipts:					
Federal funds	181.2	201.1	270.5	350.9	409.3
Trust funds	103.1	131.8	165.6	210.9	268.4
Interfund transactions	–21.1	–34.8	–36.5	–44.7	–59.9
Total budget receipts	263.2	298.1	399.6	517.1	617.8
Outlays:					
Federal funds	199.9	269.9	332.0	419.2	526.1
Trust funds	89.1	129.3	152.9	202.1	262.2
Interfund transactions	–21.1	–34.8	–36.5	–44.7	–59.9
Total budget outlays	267.9	364.5	448.4	576.7	728.4
Outlays, off-budget Federal entities	(1.4)	(7.3)	(10.4)	(14.2)	(17.3)
Outlays including off-budget	(269.4)	(371.8)	(458.7)	(590.9)	(745.7)
Surplus or deficit (–):					
Federal funds	–18.7	–68.8	–61.5	–68.4	–116.9
Trust funds	14.0	2.4	12.7	8.8	6.3
Total surplus or deficit (–)	–4.7	–66.4	–48.8	–59.6	–110.6
Deficit (–), off-budget Federal entities	(–1.4)	(–7.3)	(–10.4)	(–14.2)	(–17.3)
Surplus or deficit (–) including off-budget	(–6.1)	(–73.7)	(–59.2)	(–73.8)	(–127.9)
Debt outstanding, end of year:					
Gross Federal debt	486.2	631.9	780.4	914.3	1,147.0
Held by the public	346.1	480.3	610.9	715.1	929.4

Source: The United States Budget in Brief, Fiscal Year 1984, Executive Office of the President, Office of Management and Budget, p. 68.

TABLE 2.—STATUTORY DEBT LIMIT AND DEBT SUBJECT TO LIMIT, 1973–82

[In billions of dollars]

End of fiscal year	Statutory debt limit	Debt subject to limit
1973	465.0	458.3
1974	495.0	475.2
1975	577.0	534.2

TABLE 2.—STATUTORY DEBT LIMIT AND DEBT SUBJECT TO LIMIT, 1973–82—Continued

[In billions of dollars]

End of fiscal year	Statutory debt limit	Debt subject to limit
1976	636.0	620.6
1977	700.0	700.0
1978	798.0	772.7
1979	830.0	827.6
1980	925.0	908.7
1981	999.8	999.8
1982	1,143.1	1,142.9

Source: Treasury Bulletin, November 1982, p. 24.

TABLE 3.—ESTIMATED OWNERSHIP OF PUBLIC DEBT SECURITIES, 1973–82

[Par values; [1] billions of dollars]

	Total public debt securities									
				Held by private investors						
End of fiscal year	Total [2]	Held by Government accounts	Held by Federal Reserve Banks	Total [3]	Commercial banks [4]	Mutual savings banks and insurance companies	Corporations [5]	State and local governments [6]	Individuals [7]	Miscellaneous investors [8]
1973	457.3	123.4	75.0	258.9	58.8	9.6	9.8	28.8	75.9	76.0
1974	474.2	138.2	80.5	255.6	53.2	8.5	10.8	28.3	80.7	74.2
1975	533.2	145.3	84.7	303.2	69.0	10.6	13.8	31.7	86.8	91.3
1976	620.4	149.6	94.4	376.4	92.5	16.0	24.7	39.3	96.2	107.7
1977	698.8	155.5	104.7	438.6	99.8	20.5	21.2	48.2	106.5	142.4
1978	771.5	167.9	115.3	488.3	94.4	21.2	18.1	63.8	113.9	176.9
1979	826.5	187.7	115.5	523.4	92.5	21.5	22.1	66.5	115.5	205.3
1980	907.7	197.7	120.7	589.2	109.7	24.3	25.9	77.0	123.0	229.3
1981	997.9	208.1	124.3	665.4	112.2	26.2	32.8	86.2	140.3	262.7
1982 [9]	1,089.6	206.3	133.8	749.6	110.0	28.2	39.9	88.7	146.4	336.4

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[1] U.S. savings bonds, series A–F and J, and U.S. savings notes are included at current redemption value.

[2] As of July 31, 1974, public debt outstanding has been adjusted to exclude the notes of the International Monetary Fund to conform with the Budget presentation. This adjustment applies to the 1967–79 data in this table.

[3] For comparability with 1975–79 published data, published data for 1967–74 have been adjusted to exclude notes of the International Monetary Fund. These adjustments amounted to $3.3 billion in 1967, $2.2 billion in 1968, and $0.8 billion in each year 1969 through 1974. These adjustments were necessary in order to add to the total public debt figures as published by the Department of the Treasury.

[4] Includes commercial banks, trust companies, and stock savings banks in the United States and Territories and island possessions; figures exclude securities held in trust departments.

[5] Exclusive of banks and insurance companies.

[6] Includes trust, sinking, and investment funds of State and local governments and their agencies, and of Territories and possessions.

[7] Includes partnerships and personal trust accounts.

[8] Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts and government-sponsored agencies, and investments of foreign balances and international accounts in the United States.

[9] As of July 31, 1982.

Note.—Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977), the fiscal year is on an October 1–September 30 basis.

Source: Economic Report of the President, 1983, p. 255.

TABLE 4.—INTEREST-BEARING PUBLIC DEBT SECURITIES BY KIND OF OBLIGATION, 1974–82

[In billions of dollars]

End of fiscal year	Total interest-bearing public debt securities	Marketable				Nonmarketable				
		Total	Treasury bills	Treasury notes	Treasury bonds [1]	Total	U.S. savings bonds	Foreign government and public series [2]	Government account series	Other [3]
1974	473.2	266.6	105.0	128.4	33.1	206.7	62.0	25.0	115.4	4.3
1975	532.1	315.6	128.6	150.3	36.8	216.5	65.5	23.2	124.2	3.6
1976	619.3	392.6	161.2	191.8	39.6	226.7	69.7	22.0	130.6	4.9
1977	697.6	443.5	156.1	241.7	45.7	254.1	75.4	21.8	140.1	16.8
1978	767.0	485.2	161.0	267.9	56.4	281.8	79.8	21.7	153.3	27.1
1979	819.0	506.7	161.4	274.2	71.1	312.3	80.4	28.1	176.4	27.4
1980	906.4	594.5	199.8	310.9	83.8	311.9	72.7	25.2	189.8	24.2
1981	996.5	683.2	223.4	363.6	96.2	313.3	68.0	20.5	201.1	23.7
1982	1,140.9	824.4	277.9	442.9	103.6	316.5	67.3	14.7	210.5	24.1

[1] Includes Treasury bonds and minor amounts of Panama Canal and postal savings bonds.

[2] Nonmarketable certificates of indebtedness, notes, bonds, and bills in the Treasury foreign series of dollar-denominated and foreign-currency denominated issues.

[3] Includes depository bonds, retirement plan bonds, Rural Electrification Administration bonds, State and local bonds, and special issues held only by U.S. Government agencies and trust funds and the Federal home loan banks.

Note.—Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977) the fiscal year is on an October 1–September 30 basis.

Source: Treasury Bulletin, November 1982, p. 20.

TABLE 5.—MATURITY DISTRIBUTION AND AVERAGE LENGTH OF MARKETABLE INTEREST-BEARING PUBLIC DEBT SECURITIES HELD BY PRIVATE INVESTORS, 1973–82

[Dollars in billions]

End of fiscal year	Amount outstanding, privately held	Maturity class					Average length	
		Within 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and over	Years	Months
1973..	$167.9	$84.0	$54.1	$16.4	$8.7	$4.6	3	1
1974..	164.9	87.2	50.1	14.2	9.9	3.5	2	11
1975..	210.4	115.7	65.9	15.4	8.9	4.6	2	8
1976..	279.8	151.7	89.2	24.2	8.1	6.7	2	7
1977..	326.7	161.3	113.3	33.1	8.4	10.5	2	11
1978..	356.1	163.9	133.0	33.5	11.4	14.8	3	3
1979..	380.5	181.9	127.6	32.3	18.5	20.3	3	7
1980..	463.7	220.1	156.2	38.8	25.9	22.7	3	9
1981..	549.9	256.2	182.2	48.7	32.6	30.1	4	0
1982..	682.0	314.4	221.8	75.7	33.0	37.1	3	11

Note.—All issues classified to final maturity. Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977), the fiscal year is on an October 1–September 30 basis.

Source: Treasury Bulletin, November 1982, p. 24.

Section 2. The Federal Financing Bank

LEGISLATIVE HISTORY

The Federal Financing Bank (FFB) was established by Public Law 93-224 after favorable consideration by the House Committee on Ways and Means and the Senate Committee on Banking, Housing and Urban Affairs. The House and Senate agreed to the conference report on December 19, 1973. (House Reports 93-299, Committee on Ways and Means and 93-700, Conference Committee, and Senate Report 93-166, Committee on Banking).

OPERATIONS OF THE FFB

The FFB was created as an off-budget Federal agency in the Treasury Department as a means of coordinating Federal borrowing efforts, reducing the costs of Federal borrowing from the public, and minimizing the disruption of Federal borrowing in the private markets. At the time the FFB was established, Federal credit programs had expanded to the point that some Federal financing was going to the market every few days. Accordingly, the FFB was authorized to purchase the obligations of any Federal agency and obligations guaranteed by Federal agencies. The FFB began operations in May 1974. Although the FFB was authorized to borrow in its own name in the private markets, it has done so only once. Since then, the FFB has borrowed directly from the Treasury, and it in turn has borrowed that amount in addition to the borrowing needed to finance the budget deficit. Hence, the Federal debt is increased as the Treasury borrows to accommodate the FFB.

The FFB's outstanding holdings have grown dramatically, from $35 billion in fiscal year 1977 to $64 billion in fiscal year 1979, $107.8 billion in fiscal year 1981, and $124.3 billion in fiscal year 1982. Much of this growth has occurred in the purchase of Federally-guaranteed loans. Because of the process used in purchasing new guaranteed loans, FFB purchases of such guaranteed loans have the effect of converting agency guaranteed loans into a direct off-budget loan of the Federal government. When the FFB purchases the loan assets of other Federal agencies, the effect is to transfer the direct agency loan into an off-budget loan of the FFB.

There is no statutory limit on the magnitude of the FFB's operations. Accordingly, the only controls are indirect and result from whatever limits may be imposed in the authorizations or appropriations processes on the credit activities of other Federal agencies. Since 1980, the Administration and Congress have been working to develop a more comprehensive system for controlling Federal credit activities in the budget process. The Administration proposes appropriations limits on new direct loan obligations and loan guarantee commitments as part of the budget process. These requests are then acted upon by Congress through regular appropriations bills. Presently, however, limits have been proposed for roughly half the Federal credit budget in 1982 and 60 percent by 1984.

OUTLAYS AND ACQUISITIONS

Table 1 illustrates that FFB annual outlays have grown from $13.3 billion in fiscal year 1979 to $21 billion in fiscal year 1981, declining to $14.2 billion in fiscal year 1982. Over the same period, the FFB's outstanding portfolio has grown from $64 billion to $124 billion. Annual acquisitions have ranged over the period from $16 billion to over $30 billion.

Table 2 contains a distribution of FFB annual outlays by Federal agency or program. Actual outlays are shown for fiscal years 1980, 1981 and 1982. As these data illustrate, FFB's outlays are devoted primarily to the credit programs of the Farmers Home Administration and the Rural Electrification Administration and to foreign military sales.

TABLE 1.—FEDERAL FINANCING BANK ACTIVITIES

[In millions of dollars]

	Fiscal year—			
	1979	1980	1981	1982
New acquisitions	16,045	22,188	30,269	26,232
Net outlays	13,282	14,365	20,956	14,155
Outstandings [1]	64,211	83,072	107,799	124,301

[1] Includes balance of direct loans and purchases of Federal agency debt.

Source: Special Analysis F, Table F-4, Budget of the United States, Fiscal Years 1980–82; Table F-5, Budget of the United States, Fiscal Year 1983; Table F-8, Budget of the United States, Fiscal Year 1984.

TABLE 2.—DISTRIBUTION OF FEDERAL FINANCING BANK OUTLAYS

[In millions of dollars]

Description	1980	1981	1982
Outlays from direct loans, by agency or programs:			
Farmers Home Administration: Certificates of beneficial ownership	6,881	10,860	4,915
Rural Electrification and Telephone revolving fund:			
Certificates of beneficial ownership	689	683	528
New originations	2,498	3,918	3,939
Foreign military sales credit	1,932	1,945	2,288
Student Loan Marketing Association	1,070	1,955	700
Housing and Urban Development:			
Community Development	34	35	43
Low rent public housing	119	810	696
Transportation: Railroad programs	161	250	78
National Aeronautics and Space Administration	107	111	120
Small business investment companies	142	119	151

TABLE 2.—DISTRIBUTION OF FEDERAL FINANCING BANK OUTLAYS—Continued

[In millions of dollars]

Description	1980	1981	1982
Tennessee Valley Authority: Seven States Energy Corporation	685	237	336
Energy projects			340
Other	47	33	22
Subtotal, outlays from direct loans	14,365	20,956	14,155
Interest, transfer of surplus, and administrative expenses [1]	148	79	−12
Total, FFB outlays	14,513	21,035	14,142

[1] Net effect on outlays from nonlending activities.

Note: Details may not add due to rounding.

Source: U.S. Budget, Fiscal Years 1981–84, Table F and Budget Appendix.

Section 3. Pension Benefit Guaranty Corporation

LEGISLATIVE HISTORY

The Pension Benefit Guaranty Corporation (PBGC) was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) (88 Stat. 829, Public Law 93–406) to protect the retirement income of plan participants and their beneficiaries covered under private sector, defined benefit pension plans. Public Law 96–364 requires that the Corporation's receipts and disbursements are to be on-budget and included in the Government's budget totals.

EXPLANATION OF THE CORPORATION AND ITS FUNCTIONS

Administration

The Pension Benefit Guaranty Corporation is a wholly owned Government corporation, administered by a board of directors, the chairman being the Secretary of Labor; other directors being the Secretary of Commerce and the Secretary of the Treasury. ERISA provides for a 7-member Advisory Committee, appointed by the President, for staggered 3-year terms. The Advisory Committee is to advise the PBGC as to its policies and procedures relating to the appointment of trustees in termination proceedings, investment of moneys, plan liquidations, and other matters as requested by the PBGC.

Plan Termination Insurance Generally

Individuals protected by the pension plan termination insurance program (Title IV of ERISA) are participants and beneficiaries of defined benefit pension plans that either affect interstate commerce or are qualified under the Internal Revenue Code. Only vested benefits are insured. Pension plans specifically excluded from the plan termination insurance program are government and church plans, individual account plans (i.e., defined contribution plans such as profit-sharing, money purchase, thrift and savings, and stock bonus plans), and plans of fraternal societies financed entirely by member contributions.

A. Single-Employer Plans

Terminated single employer plans are taken over by the PBGC and a trust fund is established for plans taken into trusteeship. The PBGC assumes control of the plan assets and takes responsibility for the expected plan liability. The trust pays the share of benefit payments actually funded by plan assets and employer liability. The balance is paid by the revolving funds.

Pension benefits for vested employees under defined benefit plans are guaranteed by the PBGC. The limitation on insured benefits under single employer plans is the lesser of 100 percent of the employee's wages or $1,517 a month. The dollar amount is adjusted annually to reflect changes in the Social Security contribution and benefit base.

B. Multi-Employer Plans

For multiemployer pension plans, the PBGC insures plan insolvency rather than plan termination. Financially troubled multiemployer plans may reorganize and adjust benefits under regulations of the PBGC which may extend loans to enable the plans to continue paying benefits.

Different benefit guaranty levels exist for participants in multiemployer pension plans. As a result of the Multiemployer Pension Plan Amendments Act of 1980 (Public Law 96-364), only the first $5 of the monthly benefit accrual rate is 100 percent guaranteed for each year of a participant's service, and 75 percent of the next $15 of basic monthly benefits is guaranteed. (The 75 percent guaranty is reduced to 65 percent for plans that do not meet specified funding requirements.)

Financing

The PBGC is required by ERISA to be self-supporting. Sources of financing are insurance premiums from on-going defined benefit pension plans, assets from terminated plans, investment income and employer liability. Any change in the PBGC's insurance premium rate for single employer pension plans must be approved by a joint resolution of Congress. The PBGC may increase the premium rate for multiemployer plans up to certain limits imposed by law. The financial structure of PBGC's programs includes both revolving and trust funds, borrowing authority, and other sources of income.

A. Revolving Funds

Four revolving funds are employed to insure basic and non-basic pension plan benefits. One fund is used in connection with the basic benefits and contingent liability insurance programs related to single employer plans. A second fund is used in connection with the basic benefits and contingent liability insurance programs related to multiemployer plans. A third fund is associated with non-basic benefits insurance programs related to single employer plans. A similar fund, the fourth revolving fund, is used in connection with non-basic benefits insurance programs for multiemployer plans.

B. Trust Funds

(1) *Plan Assets.* The assets of plans for which PBGC has become trustee are the primary source of funding for the trust fund.

(2) *Employer Liability.* An employer sponsoring a covered pension plan that terminates with insufficient assets to pay benefits is liable for up to 30 percent of the employer's net worth in the case of single employer plans, and in the case of multiemployer plans, an amount equal to an employer's share of the plan's total unfunded vested liability determined under the basic rule or one of the alternative rules which the plant may adopt.

(3) *Investment Income.* Assets of plans and employer liability collections are invested in a diversified portfolio of private and public sector securities to realize the highest possible rate of return consistent with an appropriate level of risk for the type of program administered.

C. Sources of Income

(1) *Insurance Premiums.* The principal source of revenue for the plan termination insurance program is premiums required to be paid by ongoing covered plans. The PGBC is required to prescribe insurance premium rates and coverage schedules to provide sufficient revenues to carry out its title IV functions, including the payment of guaranteed benefits and administrative expenses. Premiums for each participant in a single employer plan are set at $2.60. Multiemployer plans are assessed a per capita premium rate beginning with $1.00 increasing to $1.40 for the first four plan years beginning after September 26, 1980; $1.80 for the fifth and sixth plan years; $2.20 for the seventh and eighth plan year; and $2.60 for the ninth and succeeding plan years.

D. Borrowing Authority

In addition to the premium and investment incomes which are generated for the revolving funds, the PGBC is authorized to borrow up to $100 million from the United States Treasury to carry out its responsibilities.

Termination insurance programs cover 33 million participants and beneficiaries in defined benefit pension plans.

TABLE 1.—PBGC BUDGET AUTHORITY AND OUTLAYS

[In millions of dollars]

	Fiscal years—			
	1980	1981	1982	1983 (estimate)
Federal outlays	−27	−29	−67	−32
Budget authority	0	0	0	0

Source: Budget of the United States, Appendix, Fiscal Years 1982 and 1983.

TABLE 2.—PBGC TRUSTEESHIPS

Recipients	1979	1980	1981	1982
Plan in PBG trusteeship	389	509	660	780
Participants with guaranteed benefits in trusteed plans	42,676	53,176	72,250	106,000
Potential plan trusteeships pending	259	169	132	134

Source: Pension Benefit Guaranty Corporation, Office of Financial Operations.

TABLE 3.—STATUS OF CORPORATION FUNDS [1]

[In millions of dollars]

	Fiscal year—			
	1980	1981	1982 (estimate)	1983 (estimate)
Corporation liabilities under terminated plans:				
Net liability incurred—terminated plans	234.2	241.4	280.8	99.6
Provision for pending terminations	71	65.6	84.0	84.0
Other	21.5	18.7	21.1	20.9
Total	326.6	325.7	385.9	204.5
Assets of Trust Funds:				
Investments (and cash)	173	213.0	333.1	461.1
Due from PBGC	305.2	293.2	585.4	716.5
Due from employers	49.5	49.8	[2] 65.0	[2] 36.3
Assets of terminated plans	67.2	85.7	[2] 160.5	145.9
Other	11	12.7	12.6	12.6
Total	605.9	654.4	1,156.6	1,372.4

[1] Details may not add due to rounding.

[2] Including estimates of pending terminations.

Source: Budget of the United States, Appendix, Fiscal Years 1981, 1982, 1983.

Section 4. Capital Construction Fund

LEGISLATIVE HISTORY

The Merchant Marine Act of 1936, as originally enacted, contained provisions providing preferential tax treatment for shipowners who establish Capital Construction Funds (CCF). Numerous amendments to the provisions have been adopted over the years. In 1970, the Merchant Marine Act was amended to expand the coverage of the provisions of a Capital Construction Fund and to lay out more specifically the tax treatment under these provisions. (Prior to 1970, the tax-deferred construction fund was available only to U.S. ship operators in subsidized foreign trade; the 1970 amendments extended the use of the provisions to operators in unsubsidized foreign trade as well and, in addition, to operators in the Great Lakes trade, the non-contiguous domestic trade—such as that with Alaska, Hawaii, and Puerto Rico—and in the fisheries of the United States.) Under the procedural rules adopted by the House in 1974 (H. Res. 988) which specifically established the jurisdiction of each House committee, it is clear that jurisdictional responsibility for the tax aspects of Capital Construction Funds fall within the jurisdiction of the Committee on Ways and Means.

GENERAL EXPLANATION

Any citizen of the United States owning or leasing one or more eligible vessels may enter into an agreement with the Secretary of Commerce to establish a Capital Construction Fund with respect to any or all such vessels.

Under the Capital Construction Fund provisions, any U.S. shipowner can defer the tax on income from the operation of "eligible vessels" if the shipowner deposits that income into a Capital Construction Fund established to accumulate funds for the acquisition (including construction and reconstruction) of "qualified vessels." Income from amounts deposited in a Fund are not taxed currently. In addition, no tax is imposed on amounts from the fund if the amounts are withdrawn to acquire a qualified vessel. (The tax is payable, with interest, from the date of deposit if the funds are used for any other purpose.) Earnings and profits of the firm are determined without regard to the Capital Construction Fund provisions. Excess accumulated earnings (for purposes of applying the accumulated earnings tax under Internal Revenue Code section 531) are computed without taking amounts in the fund into account. When withdrawals from the Capital Construction Fund are used to acquire, construct, or reconstruct a qualified vessel, the tax basis (for the purpose of determining the gain on the sale or depreciation deductions) of the vessel is reduced to the extent the cost of acquisition is attributable to tax-deferred income or gains deposited in the Fund or to the tax-exempt earnings of the Fund. Thus, the deferred tax will in effect be recaptured by the Federal Government over the recovery period of the acquired vessel as a result of its reduced basis for purposes of computing recovery allowances (unless, of course, those earnings are redeposited in the Capital Construction Fund for the acquisition of other vessels). For purposes of determining the amount of investment tax credit allowable for withdrawals from the Capital Construction Fund, Internal Revenue Code section 46(g) deems the amount of the qualified investment to be 50 percent of the withdrawal.

To be an eligible vessel (the earnings of which may be tax-deferred), a vessel (1) must have been constructed or reconstructed in the United States, (2) must be documented under U.S. law, and (3) must be operated in the foreign or domestic commerce or fisheries of the United States. Under present law, qualified vessels (those that can be acquired with amounts withdrawn from a capital construction fund) include vessels (1) constructed or reconstructed in the United States, (2) documented under U.S. law, and (3) operated in the foreign, Great Lakes, fisheries, or non-contiguous domestic trade (e.g., U.S. mainland to Hawaii or Alaska) of the United States.

The statutory provisions relating to Capital Construction Funds is located at 46 U.S.C. 1177.

The "Estimates of Federal Tax Expenditures for Fiscal Years 1982–87" (published by the Joint Committee on Taxation on March 8, 1982) estimates the loss of Federal revenue due to the deferral of tax on shipping companies as follows (millions of dollars):

	Revenue loss
Fiscal years:	
1982	65
1983	85
1984	80
1985	50
1986	40
1987	35

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